

**President Clinton's Hope and Opportunity  
for Postsecondary Education (HOPE) Act of 1997**

March 20, 1997

**TODAY, THE PRESIDENT WILL SEND TO CONGRESS NEW LEGISLATION TO HELP OPEN THE DOORS OF COLLEGE TO MORE AMERICANS.** The Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 -- part of President Clinton's five-year balanced budget -- includes a \$10,000 tuition tax deduction, a \$1,500 Hope Scholarship tax credit, a substantial Pell Grant expansion and increase, a cut in student loan fees, new educational assistance from employers, and other provisions. The new legislation provides:

- ✓ **\$38.4 billion over five years in tax relief** for middle-income families struggling to pay for college and make ends meet.
- ✓ **At least \$40 billion in Pell Grants** over five years to provide more tuition assistance to low- and moderate-income families, the largest increase in two decades.
- ✓ **\$2.6 billion in savings over five years in reduced loan fees** for student loan borrowers -- putting more money into the hands of students when they pay tuition bills and other college expenses.
- ✓ **Financial support for worker training** through the tuition deduction and the extension of the tax-free treatment of up to \$5,250 per employee in employer-provided educational assistance.

**OVER 250 COLLEGE PRESIDENTS EXPRESS SUPPORT FOR THE PRESIDENT'S HIGHER EDUCATION PLAN.** Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for the President's higher education initiatives.

**NEW STATE-BY-STATE ANALYSIS SHOWS EVERY REGION OF THE COUNTRY BENEFITTING FROM THE HOPE ACT.** For the 1998-99 academic year, these proposals will provide nearly \$1.7 billion in Federal benefits for students in California, and over \$300 million for students in Virginia.

## Highlights of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

INITIATIVE	DESCRIPTION	AMOUNT	IMPACT
<b>Title I: Higher Education Tax Incentives</b>			
<b><i>HOPE Scholarship Tax Credit</i></b>	Up to \$1,500 per-student tax credit for tuition and fees in student's first year and another \$1,500 in the second year if student earns at least a B- average.	\$18.6 billion over five years.	Expected to help 4.2 mill in 1998.
<b><i>\$10,000 Tax Deduction for Higher Education and Training</i></b>	Phases up from \$5,000 in 1997 to a \$10,000 maximum deduction in 1999 for tuition and fees. Also available for training and lifelong learning.	\$17.5 billion over five years.	Expected to help 8.1 mill in 1998.
<b><i>Tax-Free Education Savings*</i></b>	Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.	Education specific estimates not available.	Combined with tax deduc for education will never t make over 20 million fan for such a benefit.
<b><i>Educational Assistance from Employers</i></b>	Extends tax exclusion for employer-provided education assistance through 2000, for both undergraduate and graduate education. Also provides tax credit to small businesses.	\$2.4 billion between 1997-2001.	Benefits 1.7 million empl
<b><i>Community Service: Loan Forgiveness</i></b>	Tax relief for community service loan forgiveness and for borrowers who repay through the income contingent repayment plan for 25 years.	\$15 million over five years.	Not available.
<b>Title II: Financial Aid for Needy Students</b>			
<b><i>Pell Grant Increase and Expansion</i></b>	Largest increase in two decades -- from \$2,700 in FY97 to \$3,000 in FY98. Combined with the FY97 increase, the maximum grant has increased \$530 since FY96.	At least \$40 billion over five years. \$1.7 billion more in 1998 than the FY97 appropriation -- a 25% increase in aid.	Over 3.6 million students will receive an increase u This increase will also m additional 130,000 famili the grant.
<b><i>Pell Grant Expansion for Older, Low-Income Students</i></b>	Increases eligibility for older, low-income students to receive a Pell Grant.	\$3.9 billion over five years.	An additional 218,000 lo students generally aged 2 be newly eligible for Pell new recipients will receiv a grant of \$1,431.

<i>Cut in Student Loan Fees</i>	Cuts loan fees from 4% to 2% on need-based Stafford loans -- and to 3% on other loans for students and parents.	\$2.6 billion in savings for borrowers over five years	Loan fees will be cut in 11 million low- and middle-students, and by a quarter million other loans.
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\*The IRA proposal is not part of the HOPE Act but will be transmitted to Congress separately.

## Summary of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

March 20, 1997

Today's employers look for job applicants with more than a high school diploma. Since the success of the post-World War II GI Bill, the Federal Government has expanded college aid, making it possible for more Americans to attend college. But for too many, the financial strains of continuing their education are still severe. The President's Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 ensures that these barriers to higher education continue to fall for all Americans and provides tax relief for middle-income families struggling to pay for college.

### Title I: HIGHER EDUCATION TAX INCENTIVES

#### *HOPE Scholarship Tax Credits*

- Up to a \$1,500 per student credit for tuition and fees for course work beginning on or after July 1, 1997.
- Credit can be claimed in two tax years for any student who has not finished 13th and 14th years of education.
- The tax credit is expected to help 4.2 million students (1998), and would save families \$18.6 billion over five years.

The non-refundable tax credit is available for students enrolled on at least a half-time basis during the first two years of postsecondary education. The credit may be claimed in no more than two years. To receive the credit for the second time, the student must have at least a B minus grade point average in course work completed before that year. Federal grants (but not loans or work-study) generally would reduce the allowable tax credit. No credit would be available for any student convicted of a drug-related felony.

The credit would be phased out for taxpayers filing a joint return with adjusted gross income between \$80,000 and \$100,000. For taxpayers filing single and head-of-household returns, the credit would be phased out for adjusted gross income between \$50,000 and 70,000. (The

phase-out ranges and the amount of the credit would be indexed).

### ***Tax Deduction for Higher Education and Training***

- \$10,000 per family maximum deduction for lifelong learning (\$5,000 maximum in 1997 and 1998).
- Available for job training and re-training, in addition to traditional undergraduate and graduate education.
- Deduction is "above the line" -- available even if the taxpayer does not itemize.
- Expected to help 8.1 million students (1998), and would save families \$17.5 billion over five years.

The deduction could be claimed for out-of-pocket tuition and fees paid for any student enrolled at least half-time in a degree or certificate program, including graduate programs, at an eligible postsecondary institution. In addition, the deduction would be available for the cost of training -- whether or not it leads to a degree -- that helps the student, older worker, or job-seeker improve or acquire job skills. A student in the first two years of postsecondary education could choose either the credit or the deduction, but not both. The deduction phases in, beginning with a \$5,000 maximum per family for payments made after December 31, 1996 to cover course work beginning on or after July 1, 1997. It increases to a \$10,000 maximum deduction beginning in 1999. The deduction would be phased out at the same income levels as the credit.

### ***Tax-free Education Savings\****

- Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.
- Combined with tuition deduction (above), the IRA savings spent by middle-income families on tuition and fees would never be taxed.

\* As part of his balanced budget plan, the President has proposed a number of changes to IRAs to make it possible for families to use them to pay for education tax-free. Although the specific legislation providing for these changes is not included in the HOPE Act, it will be transmitted to Congress soon.

The President's budget plan would allow IRAs to be used for postsecondary education expenses free from early withdrawal tax penalties, and would make over 20 million families eligible to make tax-deductible IRA contributions. Currently, if an individual (or spouse) already participates in an employer's retirement plan, eligibility is phased out for taxpayers filing a joint return with adjusted gross income between \$40,000 and \$50,000 (between \$25,000 and \$35,000 for single filers). The proposal would expand the phase-out ranges for 1997 through 1999 to \$70,000 to \$90,000 for joint filers (\$45,000 to \$65,000 for single). Beginning in 2000, the phase-out range would match the ranges described for the higher education tax credit. The proposal would also create a special

IRA that could be used to save for education and other needs, subject to the same income limits.

### *Educational Assistance from Employers*

- Extends tax exclusion for employer-provided education assistance (Section 127) through the year 2000, for both undergraduate and graduate education.
- Tax credit to encourage small businesses to offer educational assistance to employees.
- Benefits 1.7 million employees a year.

The current exclusion from an employee's income of up to \$5,250 per year of postsecondary educational assistance provided by an employer expires this year, and expired for graduate-level assistance last year. The President would extend the exclusion, and reinstate the graduate-level component, through the year 2000. In addition, for 1998-2000, small businesses would be given a new incentive to provide educational assistance to their employees through a ten-percent tax credit for amounts paid under an employer-provided educational assistance program for education provided by a third party.

### *Community Service: Loan Forgiveness*

- Tax-free loan cancellation for public service and forgiveness under the income contingent repayment plan.

Under current law, a charity or private educational institution that forgives a loan as part of a program that enables graduates working in certain professions (such as rural medicine or teaching) to pay off their student loans through community service must report the loan forgiveness as income to the graduate. This proposal would exclude the loan forgiveness from an individual's income and clarify that the same treatment would be provided for forgiveness under the income contingent loan repayment plan for direct loans.

## **Title II: FINANCIAL AID FOR NEEDY STUDENTS**

### *Pell Grant Increase and Expansion*

- Largest increase in Pell Grants in two decades.
- \$300 boost in the Pell Grant maximum, to a \$3,000 maximum award. Since FY 1996, the maximum award will have increased \$530.
- A 25 percent funding increase over last year -- \$1.7 billion more than the FY 1997 appropriation.

- 3.6 million students now receiving Pell Grants will be eligible to receive an increase of up to \$300. The increase will make 130,000 more moderate-income families eligible for the grant.
- Older student provision will make Pell Grants available to additional 218,000 low-income students generally aged 24 or over.
- With these changes, the number of Pell Grant recipients will exceed 4 million in FY 1998.
- At least \$40 billion available for Pell Grants for needy students over five years.

Pell Grants are the foundation of student aid for low- and moderate-income families. Increasing the maximum award to \$3,000 provides more aid to currently eligible students, and makes an additional 130,000 students eligible for the grants. In addition, the proposal would increase the eligibility of older, low-income students. With this change, more low-income students who are 24 years old or older and financially independent from parents would receive a Pell Grant. Pell Grants are particularly beneficial for low-income students who have little or no tax liability because of the high award level and its availability for all four years of undergraduate education.

#### *Cut Student Loan Fees and Interest*

- Borrower-paid loan fees cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans to student and parent borrowers.
- \$2.6 billion in borrower savings over five years produced by the fee cut alone.
- Interest rate during in-school period cut for 2 million students, saving them an additional \$1 billion.

Before 1993, borrowers lost up to 8 percent of their student loans in required fees before the money ever reached them. In 1993, the President's aggressive student loan reforms spurred a 50 percent cut in allowable fees that has already saved families nearly \$2 billion. The President's plan proposes -- for both the Direct and guaranteed loan programs -- to cut loan fees from 4 percent to just 2 percent on need-based Stafford loans, and to 3 percent on other loans for students and parents.

The Congressional Budget Office and other analysts have noted that lender costs during the in-school period -- when students are not required to make payments on their loans -- are very low. The budget reduces the interest rate during that period by one percentage point.

The proposal provides these benefits to students while saving taxpayers \$3.5 billion over five years by streamlining the guaranty agency system to make it more efficient and cost effective and by eliminating excess lender profits.

### *College Work-Study\**

- Budget funds 1 million College Work-Study slots by the year 2000.
- Incentives to reach the goal of 100,000 work-study reading tutors by 1999.

The President's 1998 budget also increases aid for students through subsidized jobs in the College Work-Study program. The President has called on colleges to commit half of the increased funding since FY 1996, \$120 million for FY 1998, to supporting community service jobs. The Secretary of Education recently waived the institution's required portion of the awards for students that participate as reading tutors -- part of America's Reading Challenge, helping to ensure that every child can read independently and well by the end of third grade. The President's budget is on a path to achieve the President's goal to raise the number of Work-Study recipients to a million by the year 2000, and 100,000 reading tutors by 1999.

\* College Work-Study proposal is included in the President's budget request and appropriations language but not in the HOPE Act.

**Case Studies:**  
***How the President's Higher Education Proposals***  
***Benefit Typical American Families***

**Two Examples of How to Save for College Tax-Free**

Taken together, the Administration's proposal to allow penalty-free withdrawals from IRAs for college tuition and the tuition tax deduction allow families to save tax-free for their children's education. Families pay no income taxes on money they contribute to an IRA, and the interest accumulates tax-free. Under the Administration's proposal, families would be allowed to withdraw money from their IRA to pay higher education expenses without paying the usual excise tax. And because they can deduct tuition expenses of up to \$10,000 per year from taxable income, they will not have to pay the income tax normally due on IRA withdrawals. *This adds up to tax-free saving for college.*

The following examples demonstrate how the Administration's proposals help families save for their children's college tuition:

**Example 1**  
**\$35,000 Family Income**

A family with combined income of \$35,000 per year in a 15% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before tax savings into an IRA for 18 years.

Without the Administration's proposal, the same family would need to put away almost \$1,090 per year *after taxes*. That means that they need to earn more than \$1,280 per year *before taxes*, **a difference of \$325 per year to reach the same savings goal.**

**Example 2**  
**\$60,000 Family Income**

A family with combined income of \$60,000 per year in a 28% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before-tax savings into an IRA for 18 years.
- Without the Administration's proposal, the same family would need to put away \$1,220 per year *after taxes*. That means that they need to earn nearly \$1,700 per year *before taxes*, a difference of almost \$750 per year to reach the same savings goal.

### Four Examples of How the HOPE Act Works

The tax liabilities used in the following four examples are based on the personal exemption, standard deduction and the beginning point for the 28 percent rate bracket assumed to be in effect in 1998, the first year the increased Pell Grants will be available under the President's proposal. Under the proposal, the maximum tuition deduction for 1998 is \$5,000. It is \$10,000 for years thereafter. Tax liabilities are estimated on the assumption that itemized deductions of 18 percent of adjusted gross income are claimed if that amount exceeds the standard deduction.

#### *Example 3* \$60,000 Family Income Married Couple With One Child in College 1998 Benefit: \$1,500

Larry and Jill O'Neill are a married couple with two children. Larry and Jill earn \$60,000 in 1998. They claim both children as dependents because they provide more than half of their support. Bobby, the O'Neills' older child, enrolls as a freshman in a community college in the fall of 1998 and is charged \$1,500 in tuition and required fees. Bobby's parents pay his tuition. Under the President's proposals, the O'Neill are entitled to a HOPE Scholarship tuition credit of \$1,500. (Because a credit is being claimed for Bobby's freshman year, his grade point average does not affect his eligibility for the credit.) The credit reduces their tax liability by \$1,500. **Thus, the O'Neills get a total benefit of \$1,500 from the President's proposals.**

#### Without the President's Proposals

Tuition cost: \$1,500  
Pell grant: \$0  
Tax liability: \$5,760

#### With the President's Proposals

Tuition cost: \$1,500  
Pell grant: \$0  
Tax liability: \$4,260

#### *Example 4* \$10,000 income Independent College Student

**1998 Benefit: \$3,458**

Joe Jefferson is a college freshman in the fall of 1998. He is single and supports himself. He earns \$10,000 in 1998. In September 1998, Joe enrolls in college and pays \$3,025 in tuition and required fees for the fall semester. In December he is charged \$3,025 in tuition and fees for the spring semester. Under the President's proposals, Joe is entitled to a Pell grant of \$3,000 that he uses to pay part of his tuition. He pays the remaining \$3,050 with a combination of savings and loans. Under the President's proposals, he is entitled to a tuition deduction for his \$3,050 payment. The deduction reduces Joe's tax bill by \$458, which is more than his total tax liability for the year. **Thus, Joe gets a total benefit of \$3,458 from the President's proposals, \$3000 in Pell Grants and \$458 in reduced taxes.**

Without the President's Proposals

Tuition cost: \$6,050  
 Pell grant: \$0  
 Tax liability: \$458 (less \$3 EITC)

With the President's Proposals

Tuition cost: \$6,050  
 Pell grant: \$3,000  
 Tax liability: \$0 (plus \$3 EITC refund)

*Example 5*

**\$30,000 Family Income**  
**Married Couple with One Child in College**  
**1998 Benefit: \$1,050**

Victor and Susan Montoya are a married couple with one child, Maria. Tom and Susan earn \$30,000 in 1998. They claim Maria as a dependent because they provide more than half of her support. Maria attends college for two semesters in 1998 and is charged \$6,850 in tuition and required fees at the beginning of the year. Under the President's proposals, Maria receives a Pell grant for \$1,850. Her parents pay \$1,000 of her tuition. She pays the rest of the tuition bill with a combination of savings and loans. Under the President's proposals, the Montoyas are entitled to a tuition deduction for the \$5,000 their family has paid in tuition and required fees. The deduction reduces the Montoyas' tax bill by \$750. **Thus, the Montoyas get a total benefit of \$1,050 from the President's proposals, \$300 in additional Pell Grants and \$750 in reduced taxes.**

Without the President's Proposals

Tuition cost: \$6,850  
 Pell grant: \$1,550  
 Tax liability: \$2,220

With the President's Proposals

Tuition cost: \$6,850  
 Pell grant: \$1,850  
 Tax liability: \$1,470

*Example 6*

**\$90,000 Family Income**  
**Married Couple With Two Children in College**  
**1998 Benefit: \$1,450**

Paul and Debbie Green are a married couple with two children, David and Barbara. Paul and Debbie have income of \$90,000 in 1998 (including income from an IRA withdrawal, described below). They claim David and Barbara as dependents because they provide more than half of their support. In 1998, David is enrolled in college for the second semester of his junior year and the first semester of his senior year. Barbara is enrolled in the second semester of her freshman year and the first semester of her sophomore year. At the beginning of 1998, Barbara has a B+ grade point average. David's bill for tuition and required fees is \$5,000, and Barbara's is \$1,500. Paul and Debbie pay their children's tuition and required fees with a combination of savings, including \$2,000 they withdraw from their IRAs, and loans. Under the President's proposals, they avoid any penalty for early withdrawal from their IRAs, and they are entitled to a credit of \$750 for Barbara's tuition and a deduction of \$2,500 for David's tuition. (Because their income places them in the middle of the \$80,000 to \$100,000 phase-out range, they claim half the maximum credit and deduction.) The credit and the deduction reduce their tax liability by \$1,450. **Thus, the Greens get a total benefit of \$1,450 from the President's proposals.**

Without the President's Proposals

Tuition cost: \$6,500  
Pell grant: \$0  
Tax liability: \$12,128  
Penalty for early withdrawal: \$200.

With the President's Proposals

Tuition cost: \$6,500  
Pell grant: \$0  
Tax liability: \$10,678

## COLLEGE AND UNIVERSITY PRESIDENTS SUPPORT PRESIDENT CLINTON'S HIGHER EDUCATION INITIATIVE

*Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for President Clinton's higher education initiatives.*

- 70 community college presidents and 280 community college trustees signed the American Association of Community Colleges and Trustees letter of support for the President's higher education initiatives
- 105 private college presidents joined the president of Dickinson College in signing a letter of support for the President's initiatives
- 23 California State University presidents joined the Chancellor of the California State University System in a letter of support for the President's initiatives
- 63 Christian college presidents signed the Coalition for Christian Colleges & Universities letter commending the President for his higher education efforts
- The American Council on Education Board of Directors, which represents 1,700 college and university presidents, passed a resolution in support of the President's initiatives
- The National Association of Student Financial Aid Administrators, representing over 3,100 colleges and universities, expressed support for the President's initiatives

## Explanation of State-by-State Tables

### *Table 1 -- Benefits to Students under the HOPE Act*

The first column provides the total estimated Pell Grant funding in the 1998-99 academic year for students attending postsecondary institutions in the State.

The second column provides the total estimated reduction in taxes (as a result of the HOPE Scholarship and the higher education tax deduction) in the 1998 calendar year for students attending postsecondary institutions in the State.

The third column provides the total estimated reduction in loan fees in the 1998-99 academic year for students and parents attending postsecondary institutions in the State.

The final column is a total of the first three columns: **the total benefit for students in the State.**

### *Table 2 -- Pell Grant Benefits to Students*

For students attending postsecondary institutions in the State in the 1998-99 academic year:

- the first column shows the number of Pell Grant recipients;
- the second column shows the increase in the number of recipients over the previous year;
- the third column shows the total Pell Grant funding; and
- the fourth column shows the increased Pell Grant funding over the previous year.

## Methodology of State-by-State Analysis

### *Pell Grant Budget Authority for Academic Year 1998-99*

Estimates are based on 1998-99 Pell Grant projections, adjusted by the 1994-95 academic year distribution of Pell recipients and funding among different States.

### *Combined Tax Benefits for Calendar Year 1998*

Using a nationally-representative sample of postsecondary students, we first determined the likelihood of a Pell and non-Pell recipient receiving a tax benefit. Using these data and the Pell Grant distributions discussed above, we estimated the number of students that would receive a tax benefit in each state. We then used this relative distribution of tax beneficiaries to allocate calendar year 1998 benefit amounts (\$5.9 billion) among the States.

### *Cuts in Student Loan Origination Fees for Academic Year 1998-99*

Estimates are based on projected loan amounts and number of borrowers for academic year 1998-99, and the historical distribution of loans by State. Two percent of Stafford (subsidized) loan volume and one percent of unsubsidized loan volume equal the estimated student savings by State.

	A	B	C	D
1	Benefits to Students under the President's			
2	FY1998 Budget Policy			
3	(Recipients in thousands, dollars in millions)			
4			Total Pell	Increase in
5			Recipients in	Pell Recipients
6			Award Year	From Award
7	State		1998-99	Year 1997-98
8	Alabama	AL	79.3	6.9
9	Alaska	AK	4.6	0.4
10	Arizona	AZ	72.7	6.3
11	Arkansas	AR	39.1	3.4
12	California	CA	431.6	37.5
13	Colorado	CO	53.7	4.7
14	Connecticut	CT	26.9	2.3
15	Delaware	DE	6.1	0.5
16	District of Columbia	DC	10.6	0.9
17	Florida	FL	189.5	16.4
18	Georgia	GA	99	8.6
19	Hawaii	HI	7.7	0.7
20	Idaho	ID	21	1.8
21	Illinois	IL	149.7	13
22	Indiana	IN	77.4	6.7
23	Iowa	IA	51.8	4.5
24	Kansas	KS	45.2	3.9
25	Kentucky	KY	65.2	5.7
26	Louisiana	LA	86.2	7.5
27	Maine	ME	15.2	1.3
28	Maryland	MD	55.1	4.8
29	Massachusetts	MA	82.1	7.1
30	Michigan	MI	138.6	12
31	Minnesota	MN	73.9	6.4
32	Mississippi	MS	54.8	4.8
33	Missouri	MO	80.5	7
34	Montana	MT	17.5	1.5
35	Nebraska	NE	29.3	2.5
36	Nevada	NV	9.1	0.8
37	New Hampshire	NH	13.2	1.1
38	New Jersey	NJ	75.7	6.6
39	New Mexico	NM	33.7	2.9
40	New York	NY	369.5	32.1
41	North Carolina	NC	85.9	7.5

	E	F
1		
2		
3		
4	Total Pell	Increase in
5	Budget Authority	1998 Pell
6	in Award Year	Budget Authority
7	1998-99	from 1997
8	\$144.2	\$32.4
9	8.7	1.9
10	135.8	30.5
11	76.3	17.2
12	873.8	196.4
13	98.2	22.1
14	47.2	10.6
15	10.4	2.3
16	19.8	4.5
17	358.5	80.6
18	168.8	37.9
19	14.5	3.3
20	40.8	9.2
21	275.1	61.8
22	139.0	31.2
23	93.0	20.9
24	82.3	18.5
25	125.6	28.2
26	175.9	39.5
27	28.1	6.3
28	99.0	22.3
29	153.1	34.4
30	248.7	55.9
31	128.9	29.0
32	111.4	25.0
33	146.5	32.9
34	34.2	7.7
35	50.4	11.3
36	15.9	3.6
37	23.5	5.3
38	145.5	32.7
39	64.6	14.5
40	744.6	167.3
41	157.4	35.4

	A	B	C	D
42	North Dakota	ND	15	1.3
43	Ohio	OH	158.3	13.7
44	Oklahoma	OK	67.8	5.9
45	Oregon	OR	40.5	3.5
46	Pennsylvania	PA	156.4	13.6
47	Puerto Rico	PR	180.5	15.7
48	Rhode Island	RI	17.9	1.6
49	South Carolina	SC	53.1	4.6
50	South Dakota	SD	16.2	1.4
51	Tennessee	TN	72.7	6.3
52	Texas	TX	266.4	23.1
53	Utah	UT	46	4
54	Vermont	VT	9.3	0.8
55	Virginia	VA	79.4	6.9
56	Washington	WA	69.6	6
57	West Virginia	WV	29.7	2.6
58	Wisconsin	WI	64.5	5.6
59	Wyoming	WY	8.7	0.8
60	Outlying Areas		6	0.5
61	TOTAL	Total	4,009.4	348

	E	F
42	28.4	6.4
43	288.4	64.8
44	129.8	29.2
45	74.8	16.8
46	294.7	66.2
47	412.3	92.7
48	32.2	7.2
49	94.3	21.2
50	29.9	6.7
51	136.9	30.8
52	495.7	111.4
53	82.1	18.4
54	16.2	3.6
55	143.8	32.3
56	132.7	29.8
57	59.2	13.3
58	115.7	26.0
59	16.1	3.6
60	12.1	2.7
61	\$7,635.0	\$1,716.0

# America's **HOPE** Scholarships



**A Tax Cut to Make  
14 Years Of Education  
The Standard For All**

June 4, 1996

**AMERICA'S HOPE SCHOLARSHIPS**  
**A TAX CUT TO MAKE 14 YEARS OF EDUCATION THE STANDARD FOR ALL**  
June 4, 1996

**PRESIDENT CLINTON ANNOUNCES THE HOPE SCHOLARSHIP PLAN TO MAKE 14 YEARS OF EDUCATION -- AT LEAST TWO YEARS OF COLLEGE -- THE STANDARD FOR ALL AMERICANS.** President Clinton's HOPE Scholarship Tax Cut makes clear that 2 years of college should be as universal as high school and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life. To further this guarantee, the President announced the following proposals:

- **NEW AMERICA'S HOPE SCHOLARSHIP TAX CUT -- Guarantees 2 Years of Tuition at the Average Community College for Any Student Who Earns a B Average.** Modeled on the successful Georgia HOPE Scholarship program, this new proposal provides all students with a \$1,500 refundable tax credit for full-time tuition in their first year (\$750 for half-time), and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a B average in their first year. This \$1,500 tax credit will pay for more than the full cost of tuition at the national average-priced community colleges -- and a downpayment at more expensive four-year schools.
- **\$10,000 Tax Deduction for All Education and Training.** The President maintains his \$10,000 tax deduction for tuition for college, graduate school, community college, certified training and technical programs. This encourages lifetime investment in higher education.
- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his balanced budget plan increases Pell Grants each year. Indeed, the maximum Pell Grant award will increase by 33% from fiscal 1995 to fiscal 2002. The proposed increase in fiscal 1997 is the largest in the program's 25-year history.

**BUILDS ON PRESIDENT'S PLAN FOR GUARANTEED ACCESS TO COLLEGE.** The above initiatives build on the President's plan to guarantee that college is both accessible and affordable to every person -- through loans with pay-as-you-can repayment, grants, scholarships, and work study.

- **With the increased Pell Grant program support,** students have access to up to \$5,100 in Pell Grants and student loans for their first year in college, and much more in future years.
- **The new Direct Student Loan program** enacted as part of the President's 1993 Economic Plan is allowing millions of students to borrow in a simpler, less bureaucratic way, and to pay back their loans as a share of their income, and part of the savings from Direct Lending will be returned to students in the form of lower interest payments on their loans.
  - **New Direct Loans With Pay-As-You-Can Option:** Will account for 50% of loans
  - **National Service -- AmeriCorps:** 30,000 students earning up to \$4,725 for service
  - **Pell Grants:** Provides for 7-year expansion, increasing maximum award to \$3,128 in 2002
  - **\$10,000 Education Deduction:** 16.5 million students get deduction for their tuition
  - **Work Study Expansion:** Proposes expansion to 1 million participants by FY2002
  - **Honors Scholarships:** Proposes \$1,000 scholarship for top 5% of every high school class
  - **IRAs for Education:** Proposal allows penalty-free withdrawals for education
  - **Skill Grants:** Proposed \$2,600 Skill Grants to enable dislocated workers to get needed skills

# America's HOPE Scholarship Tax Cut

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## BACKGROUND ON HOPE SCHOLARSHIPS

**Overview.** Currently, millions of Americans have access to college through Pell Grants and the federal student loan program, including the President's Direct Student Loan program, but the average student with loans now graduates \$10,000 in debt and many more may not go on to college because they are reluctant to borrow so much money. The annual cost of a public college increased from 9% of the typical family's income in 1979 to 14% in 1994. [Education Department, 1996] *The President's HOPE Scholarship Plan makes it clear that two years of college should be as universal as high school, and builds on his comprehensive program to guarantee that a college education is both accessible and affordable to all Americans at any time in their life.*

- **Guaranteed Average Tuition For Two Years of Community College:** The HOPE Scholarship Plan will ensure that students can get up to a \$1,500 refundable tax credit, a Pell Grant, or a combination for tuition in their first year after high school, and another \$1,500 in their second year if they work hard, stay off drugs, and earn at least a "B" average. This \$1,500 credit is \$300 above the national average community college tuition and would make tuition free for 67% of all community college students. It would enable states that set tuition within \$300 of the national average *to make community college tuition free for every student.* The credit would be indexed to inflation each year to protect its value.
- **\$1,500 For The First Two Years At Any College For Students Who Earn At Least a B Average:** While the HOPE Scholarship tax credit is priced to pay for the full cost of two years of community college tuition for students who earn at least a "B" average in their freshman year, the \$1,500 credit can be applied to tuition at any college, from a two-year public community college to a four-year private college. This \$1500 tax credit will be a substantial downpayment for parents sending their children to colleges with higher tuition.
- **\$750 for Half-Time Students:** The HOPE Scholarship Tax Cut is designed to assist parents and current workers who want to further their education. Those who can only go to school half-time because of their job or parenting obligations, are eligible for a \$750 refundable credit per year until they have completed two full years of college. The "B" average requirement also applies to half-time students.
- **Includes 1-Year Certificate Programs:** Students at training and technical programs eligible for Pell Grants under Title IV of the HEA are also eligible HOPE Scholarships.
- **Interaction with the \$10,000 Education Tax Deduction:** Students would receive either the HOPE scholarship or the \$10,000 tax deduction in any year. Eligible students in their first two years or their parents can choose between either the Hope Scholarship or the deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.

- **Costs:** The HOPE Scholarship Plan is fully paid for within the President's balanced budget plan. The President's initial proposal for a \$10,000 deduction cost \$35 billion over six years. The new proposal, with the \$1,500 tax credit, costs \$42.9 billion over 6 years. To offset this increase, the Administration proposes to reduce sales source rule benefits, apply an international departure fee, and auction radio DARS spectrum.

In addition, the \$10,000 deduction is also more targeted by conforming the income limits to match the income limits for the proposed expanded IRAs. The deduction had been phased out for joint filers with income between \$100,000 and \$120,000, and for single filers with income between \$70,000 and \$90,000. It will now be phased out for joint filers with income between \$80,000 and \$100,000, and for single filers with incomes between \$50,000 and \$70,000.

- **"B" Average:** To remain eligible for the credit, students must earn at least a "B" average or a 2.75 grade point average in their first year of college or post-secondary school. Based on the National Post-Secondary Student Aid study, more than half of students earn a 2.75 average or better.

- **Students Must Stay Drug-Free:** A student is ineligible if, in accordance with the Drug-Free Post-Secondary Education Act of 1990, he or she has been convicted of committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

- **Administration:** Administrative issues such as the timing and delivery of the tax credit will require consultation with states and schools to ensure that the plan provides maximum flexibility and efficiency and local control rather than top-down administration. The Treasury Department and Department of Education will work with Members of Congress, Governors, school superintendents, and college financial aid administrators to design the most flexible and efficient system, and to ensure against excessive and abusive tuition increases.

- **Challenge to States.** The President is challenging states to build on the HOPE Scholarship Plan by following Georgia's lead and making scholarships available for four years of college for students who maintain a "B" average. The President is also challenging the 17 States that set tuition above \$1,500 to reduce costs so that with the HOPE Scholarship tax cut, community college will be free for every student.

## Paying For America's HOPE Scholarship Tax Cut

**Balanced Budget Framework.** The President's new America's HOPE Scholarship Tax Cut proposal is completely paid for with specific budget savings so that the President's overall plan continues to reach balance in fiscal year 2002.

**Current Education Tax Deduction: \$35 Billion FY 1997-2002.** The President's current education tax cut -- \$10,000 deduction -- costs \$35 billion over 6 years (FY 1997-2002) and is paid for within the balanced budget plan that has been certified as reaching balance in 2002 by the Congressional Budget Office.

**New Proposal: \$42.9 Billion FY 1997-2002.** The new combined proposals would be \$42.9 billion. The breakout of these costs are as follows:

	<b>FY 1997-2002 Cost</b>
America's HOPE Scholarship Tax Cut	\$25.1 Billion
\$10,000 Education Tax Deduction	\$17.8 Billion
<b>TOTAL COST</b>	<b>\$42.9 Billion</b>

The additional \$7.9 billion in net new costs are paid for with specific savings listed below:

	<b>FY1997-2002 Savings</b>
Reduction of Sales Source Rule Benefits	\$3.5 Billion
International Departure Fee	\$2.3 Billion
Auction Radio DARS Spectrum	\$2.1 Billion
<b>TOTAL SAVINGS</b>	<b>\$7.9 Billion</b>

**NOTE:** While the President's new America's HOPE Scholarship Tax Cut has gross costs of \$25.1 billion over FY 1997 to 2002, the net increase in the President's overall education tax cut is only \$7.9 billion because of savings that take place in the President's \$10,000 education tax deduction.

- Most of those savings (\$10.7 billion) come from families choosing the HOPE tax credit over the \$10,000 education tax deduction.
- The remaining savings (\$6.5 billion) come from lowering the phase out income limits for joint filers from \$120,000 to \$100,000 to conform to the Administration's expanded IRA proposal.

## BACKGROUND ON NEW SAVINGS MEASURES

### REDUCTION OF SALES SOURCE RULE BENEFITS (FY 1997 - 2002)

SAVINGS  
\$3.5 Billion

**Description:** The proposal would limit the ability of multinational corporations to decrease their U.S. tax liability inappropriately, by reducing the amount of export sales income that they may treat as derived from foreign sources. Under current law, the sales source rule generally permits multinational corporations that also exports U.S. products to treat half of their export profits as income from sales activities, and therefore as foreign source income, even though the economic activity that produced the export profits may have occurred entirely within the United States. The source of income is relevant to the determination of a U.S. taxpayer's foreign tax credit. By increasing the amount of income treated as foreign source, a taxpayer with "excess" foreign tax credits can increase its utilization of foreign tax credits and therefore pay less U.S. tax on the same income. The sales source rule of present law provides generous tax benefits to U.S. exports that also conduct foreign manufacturing or other high-taxed foreign operations, but provides no benefit at all to U.S. exporters that conduct all their business activities within the United States. The proposal would reduce the percentage of export profits that generally is treated as sales (and thus foreign) income from 50 percent to 25 percent.

The provision would be effective for taxable years beginning after the date of enactment.

### AUCTION RADIO DARS SPECTRUM (FY 1997 - 2002)

SAVINGS  
\$2.1 Billion

**Description:** This savings proposal would auction 25Mhz of spectrum currently reserved for digital audio radio services (DARS) for subscription based wireless services. The FCC had originally allocated 50 Mhz for DARS, which would provide 4 channels of a national, subscription-based radio service. Due to interference problems with Canada, DARS would be allocated 2 channels instead of 4, freeing up 25 Mhz for auction. The revenues of auctioning 25 Mhz of spectrum are estimated at \$2.1B by CBO and OMB. These auctions could be done in any year.

### INTERNATIONAL DEPARTURE FEE (FY 1997 - 2002)

SAVINGS  
\$2.3 Billion

**Description:** The President's FY '97 Budget assumes that the currently expired aviation excise taxes, including the \$6 per passenger international departure fee, will be reinstated in August, 1996. This offset proposal would increase the per passenger tax from \$6 to \$16.

## BACKGROUND ON PELL GRANT INCREASE

**Overview.** The Pell Grant is the main federal grant that allows millions of low-income and middle class families to have access to college. Despite the fact that the President's budget contains well over \$200 billion in discretionary cuts over 7 years, the President's balanced budget builds in a 33% increase in the maximum Pell Grant award from FY1995 to FY2002.

- **\$2 Billion Program Deficit Eliminated.** The projected \$2 billion Pell Grant program deficit was eliminated within the first two years of the Clinton Administration.
- **Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a \$2,700 maximum Pell Grant -- nearly a 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging \$1,706 in 1997. This proposed increase in the maximum Pell Grant Award would be the largest increase in the program's 25-year history.
- **President Announces Yearly Pell Grant Increases:** The President's balanced budget contains the following seven-year increase in the maximum Pell Grant awards.

<u>Fiscal Year</u>	<u>Maximum Award</u>
1995	\$2,340
1996	\$2,470
1997	\$2,700
1998	\$2,780
1999	\$2,863
2000	\$2,949
2001	\$3,037
2002	\$3,128

- **President's 7-Year Pell Grant Increase Could Provide 2.7 Million More Grants Than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions freeze the budget authority for the Pell Grant program from FY1997 -FY2002. This means that Republicans would provide 2.7 million fewer Pell grants over 6 years, and deny 191,000 students Pell grants in FY1997 alone compared to the President's balanced budget plan. Under the funding freeze assumed in the Republican resolutions, the maximum Pell grant award would decrease 17%, from \$2,470 in FY1996 to \$2,055 in FY2002.

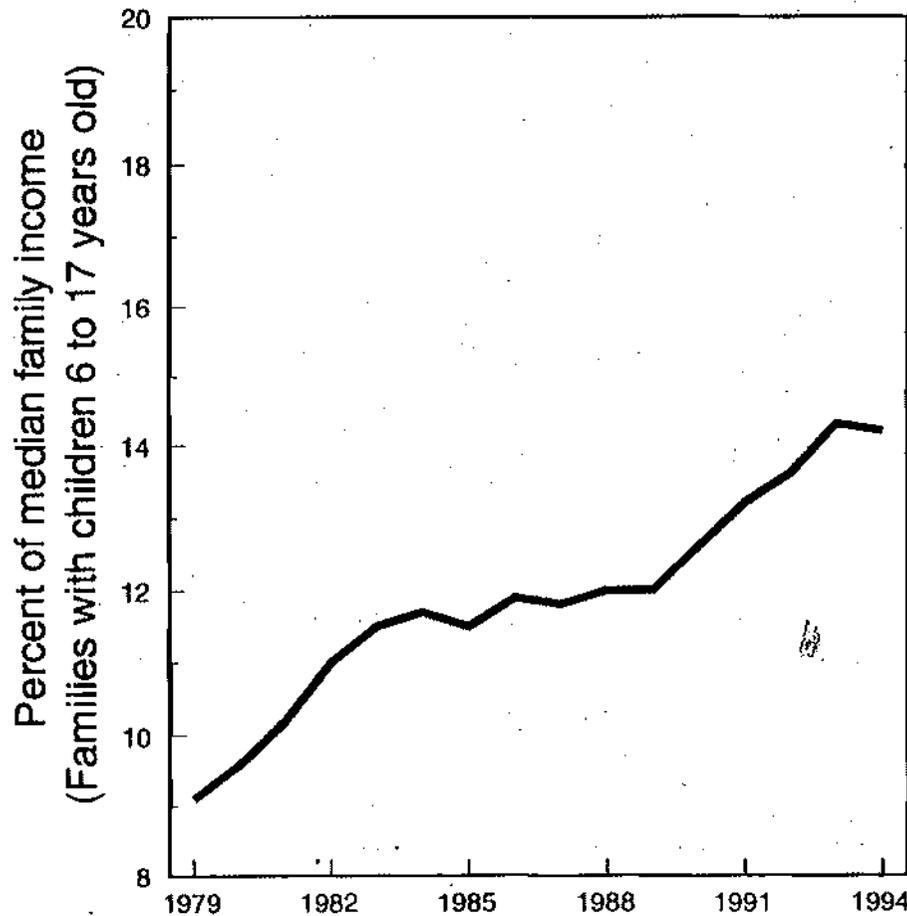
*Last year, House Republicans tried to cut the Pell Grant program by \$450 million, denying Pell Grants to 380,000 students in 1996 alone.*

## \$10,000 EDUCATION DEDUCTION

- **Breadth of Application:** The \$10,000 Education Deduction would be for every taxpayer for the tuition at any education or training program that is at least half-time or related to a worker's career.
- **Supplements Hope Scholarship Tax Cut:** In any year, students in the 13th and 14th grades would receive either the HOPE Scholarship or the \$10,000 tax deduction. Eligible students in their first two years or their parents can choose between either the HOPE Scholarship or the deduction. Students that relied on the \$1,500 tax credit in the first two years of college would still be eligible for the \$10,000 deduction in the remaining years of college or graduate school or for qualified lifelong learning. Students not eligible for the tax credit would still be eligible for the \$10,000 deduction. The deduction is up to \$10,000 a year per family. The credit is \$1,500 per student.
- **Income Limits:** For joint filers, the deduction would be phased out at incomes between \$80,000 and \$100,000. For single filers, the deduction would be phased out between \$50,000 and \$70,000.
- **Unlimited Number of Years:** While the HOPE Scholarship is for the first two years of college, the \$10,000 tax deduction is available any year a family had education expenses. For example, a family of four with an income of \$40,000 and five years of tuition expenses totaling \$10,000 would receive a \$7,500 tax cut over that five-year period.

# Cost of College As Percent of Typical Family Income

## Public Institutions



## Private Institutions



Source: Department of Education, *The Condition of Education 1996*, p 76.

\* Includes Calculation of Tuition, Room and Board

## Tuition and Fees at Public Two-Year Institutions

<u>State</u>	<u>Average (1994-95) Tuition</u>	<u>Share of Average Tuition Covered By \$1,500 Credit</u>
AK	\$1,320	100%
AL	\$621	100%
AR	\$865	100%
AZ	\$727	100%
CA	\$363	100%
CO	\$1,227	100%
CT	\$1,520	99%
DE	\$1,266	100%
FL	\$1,064	100%
GA	\$1,019	100%
HI	\$499	100%
IA	\$1,696	88%
ID	\$990	100%
IL	\$1,188	100%
IN	\$1,797	83%
KS	\$1,014	100%
KY	\$1,009	100%
LA	\$769	100%
MA	\$2,435	62%
MD	\$1,857	81%
ME	\$2,188	69%
MI	\$1,411	100%
MN	\$1,965	76%
MO	\$1,227	100%
MS	\$934	100%
MT	\$1,414	100%
NC	\$581	100%
ND	\$1,666	90%
NE	\$1,083	100%
NH	\$2,315	65%
NJ	\$1,762	85%
NM	\$601	100%
NV	\$835	100%
NY	\$2,142	70%
OH	\$2,105	71%
OK	\$1,123	100%
OR	\$1,328	100%
PA	\$1,751	86%
RI	\$1,686	89%
SC	\$1,022	100%
SD	\$2,379	63%
TN	\$907	100%
TX	\$672	100%
UT	\$1,358	100%
VA	\$1,382	100%
VT	\$2,196	68%
WA	\$1,334	100%
WI	\$1,721	87%
WV	\$1,372	100%
WY	\$894	100%

Source: U.S. Department of Education. Estimate of share of tuition and fees covered by the HOPE Scholarship if it has been available in 1994-1995.

# America's HOPE Scholarship Tax Cut

## Background Materials

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# GEORGIA HOPE SCHOLARSHIPS

*"The most far-reaching scholarship program in the nation"*  
-- *Los Angeles Times*, April 5, 1994

**PROGRAM DESCRIPTION:** The Georgia HOPE program, established by Governor Zell Miller in April 1993, provides full tuition, fees, and books at any in-state public college to any Georgia student who graduates from high school and maintains a B average or better in college.

## A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller.** "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]
- **Atlanta Journal Constitution.** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994]
- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]
- **Orlando Sentinel.** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]
- **Atlanta Journal Constitution.** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

**ELIGIBILITY REQUIREMENTS:** Students must meet the following requirements:

### 2-Year and 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)
- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.
- Students who maintain a B average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.
- Students who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if they obtain a cumulative 3.0 grade average.

### 2-Year and 4-Year Private Colleges/Universities

- Students receive \$3,000 a year in HOPE money, but only if they have and maintain a B grade average.

### Technical Schools and Adult Education Institutes

- All students in a diploma or certificate program at a Georgia technical institute are eligible for HOPE.

### Universal Requirements

- All students must stay drug free. A Student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

### **KEY FACTS:**

- During the first 3 years of the program (1993-1995), nearly 200,000 Georgia students qualified for and received some form of HOPE scholarship.

#### HOPE Scholarship Students 1993-1996

University System	60,682
Technical Institutes	74,830
Private Colleges	45,423
GED Recipients	9,066
<b>TOTAL</b>	<b>190,001</b>

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.
- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).
- 84% of HOPE students who enrolled in public colleges in Fall 1994 were still in college in Fall 1995, versus 74% of all students.
- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.
- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

## ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

*"We need more of our young people going to college and we need them to succeed and stay in college. This program will help them accomplish that goal."*

— Governor Bill Clinton, July 12, 1991

**PROGRAM DESCRIPTION:** Governor Bill Clinton signed the Arkansas Academic Challenge Scholarships into law on May 5, 1991, creating a guaranteed scholarship plan to promote academic achievement and encourage academically prepared Arkansas high school graduates to enroll in the state's colleges and universities. Through the 1993-1994 school year, the scholarship provided the lesser of \$1000 or the annual tuition. For the 1994-1995 school year, the scholarship was increased to provide annually the lesser of \$1500 or the annual tuition. The scholarship is renewable for up to 3 more years, provided the student meets the continuing eligibility standards established by the Arkansas Department of Higher Education.

### REQUIREMENTS:

- **Income Requirement.** For families with one dependent child, income cannot exceed \$30,000 per year. An extra \$5,000 of family income is allowed per child.
- **Grade-Based Awards.** Awards are based on the applicant's meeting minimum standards with regard to the ACT composite score, grade point average (GPA) in the pre-collegiate core curriculum.
  - \* Applicants must have a composite ACT score of 19 and a grade point average of 2.50 on a 4.00 scale, in the precollegiate core curriculum.
  - \* Applicants not meeting either the grade point average or ACT requirements may still qualify for the Academic Challenge Scholarship if their combined ACT score and grade point average meet satisfactory levels when applied to a selection index (i.e. a student with a 15 ACT would have to achieve a minimum 3.25 GPA; a student with a 26 ACT would only have to have a 2.0 GPA.)
- **All students must stay drug free.** A student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.
- **Students must maintain their grades once in college.** In order to retain their scholarship for an additional year, students keep their grades above state-specified levels.

### KEY FACTS:

- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. By 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.
- The number of high school students qualifying for and receiving the Arkansas Achievement Scholarship has increased dramatically each year. In the 1991-1992 school year, there were 1,024 recipients. In the 1994-1995 school year, 5,383 students received awards.
- While Bill Clinton was governor of Arkansas, the percentage of high school students going on to college increased by 50% (from 38.2% in 1982 to 57.3% in 1992). The Arkansas "going rate" has remained steady since 1992.

# Bureau of the Census Statistical Brief

## More Education Means Higher Career Earnings

Is it worth it to stay in school and earn a higher degree? As data from the Census Bureau's Current Population Survey show, the answer is a resounding yes!

This Brief examines the relationship between education and earnings during the 1992 calendar year; it also demonstrates how the relationship has changed over the last two decades. Additionally, it provides estimates (by level of education) of the total earnings adults are likely to accumulate over the course of their working life.

You'll see that more education means greater earnings over a year's time; over the length of one's working life, these differences become enormous. Moreover, this relationship between earnings and education is now even stronger than it was back in the 1970's.

We're more educated than ever.

In 1993, about four-fifths of American adults aged 25 and over had at least completed high school; over one in five had a Bachelor's degree or higher. Both figures are all-time highs.



SB/94-17  
Issued August 1994

U.S. Department of Commerce  
Economics and Statistics Administration  
BUREAU OF THE CENSUS

Professional degree holders have the highest earnings.

Adults aged 18 and over who worked sometime during 1992 earned an average of \$23,227 that year. But this average masked the fact that the more education they received, the more money they made. (See graph below.) Earnings ranged from \$12,809 for high school dropouts to \$74,560 for those with professional degrees (such as M.D.'s and J.D.'s).

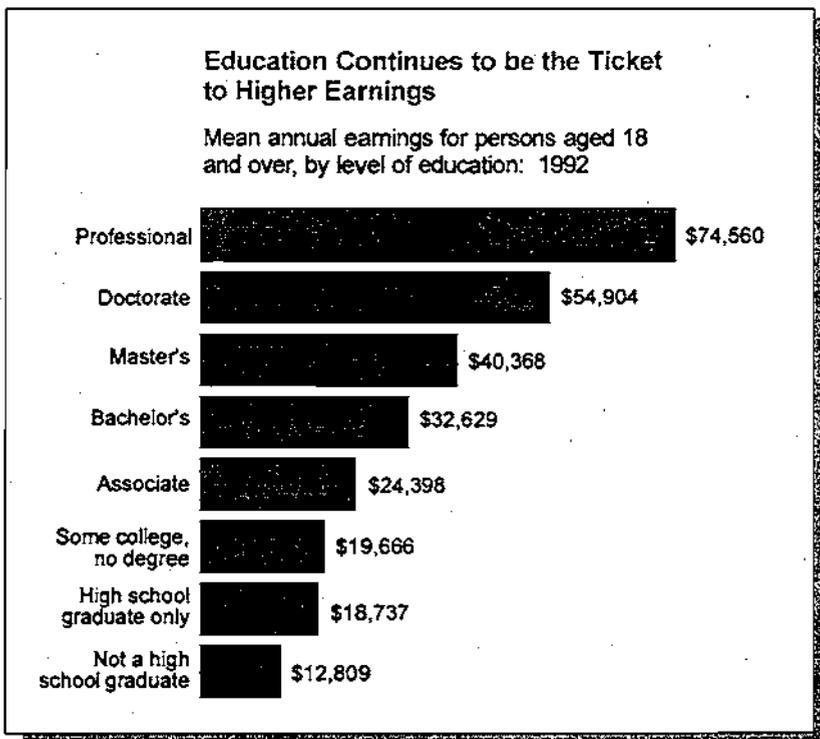
Earnings differences compound over one's lifetime.

Using 1992 data, we estimated the earnings a person would accrue over a typical "worklife." Here's

how we did it. First, we defined a worklife as lasting from ages 25 to 64 — a 40-year period. Then we began our calculations.

We started with high school dropouts. We took the 1992 mean earnings figure for persons of this group who were aged 25 to 34 and multiplied it by 10. The same thing was done for those aged 35-44, 45-54, and 55-64. Then, the four 10-year totals were added up. The result was an estimated lifetime earnings total for high school dropouts. This process was then repeated for each of the other seven educational levels.

These estimates dramatically illustrate the large earnings differences



that develop between educational levels over the long term. As the graph below shows —

- High school dropouts would make (in 1992 dollars) around \$600,000 during their lifetime.
- Completing high school would mean about another \$200,000.
- Persons who attended some college (but did not earn a degree) might expect lifetime earnings in the \$1 million range.
- You could tack on nearly another one-half million dollars for holders of a Bachelor's degree.
- Doctorate and professional degree holders would do even better, at just over \$2 million and \$3 million, respectively.

Lifetime differences may become even more striking in the future.

These estimates of lifetime earnings assume that 1992 earnings levels will stay in effect throughout one's worklife. But the reality is that the value of the dollar continually changes. And recent history shows that the value of higher levels of education has risen faster than that of lower levels. When we compare 1975 and 1992 figures, we see that average earnings —

- Doubled for high school dropouts (from \$6,014 to \$12,809).
- Rose 2.5 times for those who were high school graduates only (from \$7,536 to \$18,737).
- Nearly tripled for holders of Bachelor's degrees (from \$11,574 to \$32,629).
- Tripled for those who held advanced degrees (from \$15,619 to \$48,653).

Keep in mind that in 1992 the consumer price index (which measures yearly changes in the value of the dollar) was 140, 2.5 times what it was in 1975. This means that the earnings of high school dropouts did not even keep up with infla-

tion, and high school graduates just barely managed to keep pace. Real wages rose only for persons with education beyond the high school level. If these patterns continue, lifetime earnings differences between low and high levels of education will become even more dramatic than current levels indicate.

#### More information:

Several Census Bureau reports have information on the relationship between earnings and education. These include —

- *Educational Attainment in the United States: March 1993 and 1992*, Current Population Reports, Series P20-476. Stock No. 803-005-00077-0. \$8.50.
- *What's It Worth? Educational Background and Economic Status: Spring 1990*, Current Population Reports, Series P70-32. Stock No. 803-044-00020-1. \$3.50.
- *Money Income of Households, Families, and Persons in the United States: 1992*, Current Population Reports, Series P60-184. Stock No. 803-005-30031-5. \$19.

■ *Education in the United States*, Series 1990, CP-3-4. Stock No. 003-024-08742-1. \$41.

To order any of these publications, call the U.S. Government Printing Office (202-512-1800).

#### Contacts:

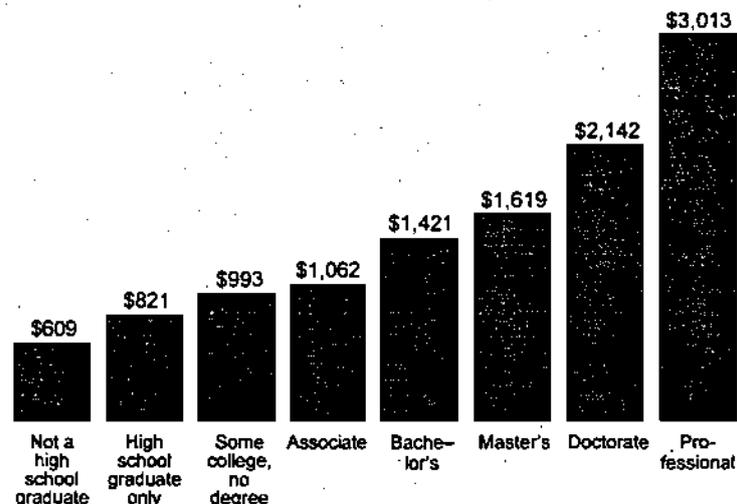
Earnings and education —  
Robert Kominski  
301-763-1154

Statistical Briefs —  
Robert Bernstein  
301-763-1584

*This Brief is one of a series that presents information of current policy interest. It may include data from businesses, households, or other sources. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources.*

### Go to College, Make a \$Million

Estimates of worklife earnings, by level of education: 1992  
(in thousands of dollars)



# ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life. [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]
- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter American Economic Review, Vol. 85, No. 3, 1995.]
- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelors degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]
- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]
- A college graduate is 43 percent more likely to be working in a job with a pension plan than a high school graduate and a college graduate is 27 percent more likely to have a job with health care coverage than a high school graduate. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]
- Since the early 1980s, high skill jobs are growing the fastest. Jobs requiring high skill levels grew by 32% over the period 1984-1994 while jobs requiring low skill levels grew by only 7%. [Based on data from the Bureau of Labor Statistics, various years, Current Population Survey.]

- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]
- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]
- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]
- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]
- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]

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**The Hope and Opportunity for  
Postsecondary Education (HOPE) Act of 1997**

**President Clinton's Higher Education Initiative  
with State-by-State Analysis**

**March 20, 1997**

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**President Clinton's Hope and Opportunity  
for Postsecondary Education (HOPE) Act of 1997**

March 20, 1997

**TODAY, THE PRESIDENT WILL SEND TO CONGRESS NEW LEGISLATION TO HELP OPEN THE DOORS OF COLLEGE TO MORE AMERICANS.** The Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 -- part of President Clinton's five-year balanced budget -- includes a \$10,000 tuition tax deduction, a \$1,500 Hope Scholarship tax credit, a substantial Pell Grant expansion and increase, a cut in student loan fees, new educational assistance from employers, and other provisions. The new legislation provides:

- ✓ **\$38.4 billion over five years in tax relief** for middle-income families struggling to pay for college and make ends meet.
- ✓ **At least \$40 billion in Pell Grants** over five years to provide more tuition assistance to low- and moderate-income families, the largest increase in two decades.
- ✓ **\$2.6 billion in savings over five years in reduced loan fees** for student loan borrowers -- putting more money into the hands of students when they pay tuition bills and other college expenses.
- ✓ **Financial support for worker training** through the tuition deduction and the extension of the tax-free treatment of up to \$5,250 per employee in employer-provided educational assistance.

**KEY ELEMENTS OF THE HOPE ACT OF 1997**

- **Includes a \$1,500 per student HOPE Scholarship tax credit** for tuition and fees in the student's first year and another \$1,500 in the second year if the student earns at least a B minus average. That credit will help 4.2 million students in 1998.
- **Provides a \$10,000 tuition tax deduction** for higher education and training, which is expected to help the families of 8.1 million students in 1998.
- **Provides the largest Pell Grant increase in two decades** -- from \$2,700 in FY 1997 to \$3,000 in FY 1998. Over 3.6 million students now eligible will receive an increase of up to \$300. This increase and other changes will make an additional 348,000 families eligible for the grant.
- **Lowers fees and reduces interest rates for millions of student borrowers.**

**OVER 250 COLLEGE PRESIDENTS EXPRESS SUPPORT FOR THE PRESIDENT'S HIGHER EDUCATION PLAN.** Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for the President's higher education initiatives.

**NEW STATE-BY-STATE ANALYSIS SHOWS EVERY REGION OF THE COUNTRY BENEFITTING FROM THE HOPE ACT.** For the 1998-99 academic year, these proposals will provide nearly \$1.7 billion in Federal benefits for students in California, and over \$300 million for students in Virginia.

## Benefits to Students under Hope and Opportunity for Postsecondary Education Act of 1997

(dollars in millions)

State	Total Pell Budget Authority in Award Year 1998-99	Combined Tax Benefits for Calendar Year 1998	Cut in Student Loan Fees for Award Year 1998-99	Total Benefits for Award Year 1998-99
Alabama	\$144.2	\$92	\$5.8	\$242.0
Alaska	8.7	13	0.3	21.9
Arizona	135.8	115	10.3	261.1
Arkansas	76.3	37	3.0	116.3
California	873.8	777	46.0	1696.7
Colorado	98.2	103	8.5	209.6
Connecticut	47.2	70	5.2	122.3
Delaware	10.4	20	1.0	31.4
District of Columbia	19.8	35	6.4	61.2
Florida	358.5	260	19.5	638.0
Georgia	168.8	125	11.6	305.4
Hawaii	14.5	29	0.8	44.2
Idaho	40.8	24	2.2	67.1
Illinois	275.1	314	20.0	609.0
Indiana	139.0	122	11.1	272.1
Iowa	93.0	71	8.4	172.4
Kansas	82.3	71	4.6	157.9
Kentucky	125.6	72	5.6	203.3
Louisiana	175.9	78	9.1	263.0
Maine	28.1	24	2.2	54.3
Maryland	99.0	114	6.1	219.1
Massachusetts	153.1	180	18.9	352.0
Michigan	248.7	231	15.3	495.0
Minnesota	128.9	121	9.6	259.6
Mississippi	111.4	45	3.7	160.2
Missouri	146.5	122	11.2	279.7
Montana	34.2	15	1.9	51.1
Nebraska	50.4	49	3.9	103.4
Nevada	15.9	28	1.1	45.0
New Hampshire	23.5	27	2.7	53.1
New Jersey	145.5	143	7.9	296.4
New Mexico	64.6	41	2.5	108.1
New York	744.6	422	42.6	1209.2
North Carolina	157.4	157	10.8	325.1
North Dakota	28.4	16	1.8	46.2
Ohio	288.4	226	20.7	535.1
Oklahoma	129.8	73	6.1	208.9
Oregon	74.8	69	5.8	149.6
Pennsylvania	294.7	256	27.9	578.6
Puerto Rico	412.3	-	2.6	414.9
Rhode Island	32.2	32	3.5	67.6
South Carolina	94.3	71	5.5	170.8
South Dakota	29.9	14	1.9	45.8
Tennessee	136.9	99	8.1	244.0
Texas	495.7	395	25.1	915.8
Utah	82.1	59	3.2	144.3
Vermont	16.2	15	2.2	33.4
Virginia	143.8	151	11.4	306.2
Washington	132.7	120	8.9	261.7
West Virginia	59.2	35	3.0	97.2
Wisconsin	115.7	130	8.5	254.3
Wyoming	16.1	13	0.7	29.9
Outlying Areas	12.1	0	0.0	12.1
<b>TOTAL</b>	<b>\$7,635.0</b>	<b>\$5,921.0</b>	<b>\$466.5</b>	<b>\$14,022.5</b>

## Pell Benefits to Students under the President's FY1998 Budget Policy

(Recipients in thousands, dollars in millions)

State	Total Pell Recipients in Award Year 1998-99	Increase in Pell Recipients From Award Year 1997-98	Total Pell Budget Authority in Award Year 1998-99	Increase in 1998 Pell Budget Authority from 1997
Alabama	79.3	6.9	\$144.2	\$32.4
Alaska	4.6	0.4	8.7	1.9
Arizona	72.7	6.3	135.8	30.5
Arkansas	39.1	3.4	76.3	17.2
California	431.6	37.5	873.8	196.4
Colorado	53.7	4.7	98.2	22.1
Connecticut	26.9	2.3	47.2	10.6
Delaware	6.1	0.5	10.4	2.3
District of Columbia	10.6	0.9	19.8	4.5
Florida	189.5	16.4	358.5	80.6
Georgia	99	8.6	168.8	37.9
Hawaii	7.7	0.7	14.5	3.3
Idaho	21	1.8	40.8	9.2
Illinois	149.7	13	275.1	61.8
Indiana	77.4	6.7	139.0	31.2
Iowa	51.8	4.5	93.0	20.9
Kansas	45.2	3.9	82.3	18.5
Kentucky	65.2	5.7	125.6	28.2
Louisiana	86.2	7.5	175.9	39.5
Maine	15.2	1.3	28.1	6.3
Maryland	55.1	4.8	99.0	22.3
Massachusetts	82.1	7.1	153.1	34.4
Michigan	138.6	12	248.7	55.9
Minnesota	73.9	6.4	128.9	29.0
Mississippi	54.8	4.8	111.4	25.0
Missouri	80.5	7	146.5	32.9
Montana	17.5	1.5	34.2	7.7
Nebraska	29.3	2.5	50.4	11.3
Nevada	9.1	0.8	15.9	3.6
New Hampshire	13.2	1.1	23.5	5.3
New Jersey	75.7	6.6	145.5	32.7
New Mexico	33.7	2.9	64.6	14.5
New York	369.5	32.1	744.6	167.3
North Carolina	85.9	7.5	157.4	35.4
North Dakota	15	1.3	28.4	6.4
Ohio	158.3	13.7	288.4	64.8
Oklahoma	67.8	5.9	129.8	29.2
Oregon	40.5	3.5	74.8	16.8
Pennsylvania	156.4	13.6	294.7	66.2
Puerto Rico	180.5	15.7	412.3	92.7
Rhode Island	17.9	1.6	32.2	7.2
South Carolina	53.1	4.6	94.3	21.2
South Dakota	16.2	1.4	29.9	6.7
Tennessee	72.7	6.3	136.9	30.8
Texas	266.4	23.1	495.7	111.4
Utah	46	4	82.1	18.4
Vermont	9.3	0.8	16.2	3.6
Virginia	79.4	6.9	143.8	32.3
Washington	69.6	6	132.7	29.8
West Virginia	29.7	2.6	59.2	13.3
Wisconsin	64.5	5.6	115.7	26.0
Wyoming	8.7	0.8	16.1	3.6
Outlying Areas	6	0.5	12.1	2.7
<b>TOTAL</b>	<b>4,009.4</b>	<b>348</b>	<b>\$7,635.0</b>	<b>\$1,716.0</b>

## Explanation of State-by-State Tables

### *Table 1 – Benefits to Students under the HOPE Act*

The first column provides the total estimated Pell Grant funding in the 1998-99 academic year for students attending postsecondary institutions in the State.

The second column provides the total estimated reduction in taxes (as a result of the HOPE Scholarship and the higher education tax deduction) in the 1998 calendar year for students attending postsecondary institutions in the State.

The third column provides the total estimated reduction in loan fees in the 1998-99 academic year for students and parents attending postsecondary institutions in the State.

The final column is a total of the first three columns: **the total benefit for students in the State.**

### *Table 2 – Pell Grant Benefits to Students*

For students attending postsecondary institutions in the State in the 1998-99 academic year:

- the first column shows the number of Pell Grant recipients;
- the second column shows the increase in the number of recipients over the previous year;
- the third column shows the total Pell Grant funding; and
- the fourth column shows the increased Pell Grant funding over the previous year.

## Methodology of State-by-State Analysis

### *Pell Grant Budget Authority for Academic Year 1998-99*

Estimates are based on 1998-99 Pell Grant projections, adjusted by the 1994-95 academic year distribution of Pell recipients and funding among different States.

### *Combined Tax Benefits for Calendar Year 1998*

Using a nationally-representative sample of postsecondary students, we first determined the likelihood of a Pell and non-Pell recipient receiving a tax benefit. Using these data and the Pell Grant distributions discussed above, we estimated the number of students that would receive a tax benefit in each state. We then used this relative distribution of tax beneficiaries to allocate calendar year 1998 benefit amounts (\$5.9 billion) among the States.

### *Cuts in Student Loan Origination Fees for Academic Year 1998-99*

Estimates are based on projected loan amounts and number of borrowers for academic year 1998-99, and the historical distribution of loans by State. Two percent of Stafford (subsidized) loan volume and one percent of unsubsidized loan volume equal the estimated student savings by State.

## Highlights of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

INITIATIVE	DESCRIPTION	AMOUNT	IMPACT
<b>Title I: Higher Education Tax Incentives</b>			
<b><i>HOPE Scholarship Tax Credit</i></b>	Up to \$1,500 per-student tax credit for tuition and fees in student's first year and another \$1,500 in the second year if student earns at least a B-average.	\$18.6 billion over five years.	Expected to help 4.2 million students in 1998.
<b><i>\$10,000 Tax Deduction for Higher Education and Training</i></b>	Phases up from \$5,000 in 1997 to a \$10,000 maximum deduction in 1999 for tuition and fees. Also available for training and lifelong learning.	\$17.5 billion over five years.	Expected to help 8.1 million students in 1998.
<b><i>Tax-Free Education Savings*</i></b>	Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.	Education specific estimates not available.	Combined with tax deduction, IRA used for education will never be taxed. Will make over 20 million families eligible for such a benefit.
<b><i>Educational Assistance from Employers</i></b>	Extends tax exclusion for employer-provided education assistance through 2000, for both undergraduate and graduate education. Also provides tax credit to small businesses.	\$2.4 billion between 1997-2001.	Benefits 1.7 million employees a year.
<b><i>Community Service: Loan Forgiveness</i></b>	Tax relief for community service loan forgiveness and for borrowers who repay through the income contingent repayment plan for 25 years.	\$15 million over five years.	Not available.
<b>Title II: Financial Aid for Needy Students</b>			
<b><i>Pell Grant Increase and Expansion</i></b>	Largest increase in two decades -- from \$2,700 in FY97 to \$3,000 in FY98. Combined with the FY97 increase, the maximum grant has increased \$530 since FY96.	At least \$40 billion over five years. \$1.7 billion more in 1998 than the FY97 appropriation -- a 25% increase in aid.	Over 3.6 million students now eligible will receive an increase up to \$300. This increase will also make an additional 130,000 families eligible for the grant.
<b><i>Pell Grant Expansion for Older, Low-Income Students</i></b>	Increases eligibility for older, low-income students to receive a Pell Grant.	\$3.9 billion over five years.	An additional 218,000 low-income students generally aged 24 or over will be newly eligible for Pell Grants. The new recipients will receive, on average, a grant of \$1,431.
<b><i>Cut in Student Loan Fees</i></b>	Cuts loan fees from 4% to 2% on need-based Stafford loans -- and to 3% on other loans for students and parents.	\$2.6 billion in savings for borrowers over five years	Loan fees will be cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans.

\*The IRA proposal is not part of the HOPE Act but will be transmitted to Congress separately.

# Summary of the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997

March 20, 1997

Today's employers look for job applicants with more than a high school diploma. Since the success of the post-World War II GI Bill, the Federal Government has expanded college aid, making it possible for more Americans to attend college. But for too many, the financial strains of continuing their education are still severe. The President's Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 ensures that these barriers to higher education continue to fall for all Americans and provides tax relief for middle-income families struggling to pay for college.

## **Title I: HIGHER EDUCATION TAX INCENTIVES**

### *HOPE Scholarship Tax Credits*

- Up to a \$1,500 per student credit for tuition and fees for course work beginning on or after July 1, 1997.
- Credit can be claimed in two tax years for any student who has not finished 13th and 14th years of education.
- The tax credit is expected to help 4.2 million students (1998), and would save families \$18.6 billion over five years.

The non-refundable tax credit is available for students enrolled on at least a half-time basis during the first two years of postsecondary education. The credit may be claimed in no more than two years. To receive the credit for the second time, the student must have at least a B minus grade point average in course work completed before that year. Federal grants (but not loans or work-study) generally would reduce the allowable tax credit. No credit would be available for any student convicted of a drug-related felony.

The credit would be phased out for taxpayers filing a joint return with adjusted gross income between \$80,000 and \$100,000. For taxpayers filing single and head-of-household returns, the credit would be phased out for adjusted gross income between \$50,000 and 70,000. (The phase-out ranges and the amount of the credit would be indexed).

### *Tax Deduction for Higher Education and Training*

- \$10,000 per family maximum deduction for lifelong learning (\$5,000 maximum in 1997 and 1998).
- Available for job training and re-training, in addition to traditional undergraduate and graduate education.
- Deduction is "above the line" -- available even if the taxpayer does not itemize.
- Expected to help 8.1 million students (1998), and would save families \$17.5 billion over five years.

The deduction could be claimed for out-of-pocket tuition and fees paid for any student enrolled at least half-time in a degree or certificate program, including graduate programs, at an eligible postsecondary institution. In addition, the deduction would be available for the cost of training -- whether or not it leads to a degree -- that helps the student, older worker, or job-seeker improve or acquire job skills. A student in the first two years of postsecondary education could choose either the credit or the deduction, but not both. The deduction phases in, beginning with a \$5,000 maximum per family for payments made after December 31, 1996 to cover course work beginning on or after July 1, 1997. It increases to a \$10,000 maximum deduction beginning in 1999. The deduction would be phased out at the same income levels as the credit.

### *Tax-free Education Savings\**

- Families with incomes up to \$100,000 would be eligible for IRAs, and could make penalty-free withdrawals for higher education.
- Combined with tuition deduction (above), the IRA savings spent by middle-income families on tuition and fees would never be taxed.

\* As part of his balanced budget plan, the President has proposed a number of changes to IRAs to make it possible for families to use them to pay for education tax-free. Although the specific legislation providing for these changes is not included in the HOPE Act, it will be transmitted to Congress soon.

The President's budget plan would allow IRAs to be used for postsecondary education expenses free from early withdrawal tax penalties, and would make over 20 million families eligible to make tax-deductible IRA contributions. Currently, if an individual (or spouse) already participates in an employer's retirement plan, eligibility is phased out for taxpayers filing a joint return with adjusted gross income between \$40,000 and \$50,000 (between \$25,000 and \$35,000 for single filers). The proposal would expand the phase-out ranges for 1997 through 1999 to \$70,000 to \$90,000 for joint filers (\$45,000 to \$65,000 for single). Beginning in 2000, the phase-out range would match the ranges described for the higher education tax credit. The proposal would also create a special IRA that could be used to save for education and other needs, subject to the same income limits.

### *Educational Assistance from Employers*

- Extends tax exclusion for employer-provided education assistance (Section 127) through the year 2000, for both undergraduate and graduate education.
- Tax credit to encourage small businesses to offer educational assistance to employees.
- Benefits 1.7 million employees a year.

The current exclusion from an employee's income of up to \$5,250 per year of postsecondary educational assistance provided by an employer expires this year, and expired for graduate-level assistance last year. The President would extend the exclusion, and reinstate the graduate-level component, through the year 2000. In addition, for 1998-2000, small businesses would be given a new incentive to provide educational assistance to their employees through a ten-percent tax credit for amounts paid under an employer-provided educational assistance program for education provided by a third party.

### ***Community Service: Loan Forgiveness***

- Tax-free loan cancellation for public service and forgiveness under the income contingent repayment plan.

Under current law, a charity or private educational institution that forgives a loan as part of a program that enables graduates working in certain professions (such as rural medicine or teaching) to pay off their student loans through community service must report the loan forgiveness as income to the graduate. This proposal would exclude the loan forgiveness from an individual's income and clarify that the same treatment would be provided for forgiveness under the income contingent loan repayment plan for direct loans.

## **Title II: FINANCIAL AID FOR NEEDY STUDENTS**

### ***Pell Grant Increase and Expansion***

- Largest increase in Pell Grants in two decades.
- \$300 boost in the Pell Grant maximum, to a \$3,000 maximum award. Since FY 1996, the maximum award will have increased \$530.
- A 25 percent funding increase over last year -- \$1.7 billion more than the FY 1997 appropriation.
- 3.6 million students now receiving Pell Grants will be eligible to receive an increase of up to \$300. The increase will make 130,000 more moderate-income families eligible for the grant.
- Older student provision will make Pell Grants available to additional 218,000 low-income students generally aged 24 or over.
- With these changes, the number of Pell Grant recipients will exceed 4 million in FY 1998.
- At least \$40 billion available for Pell Grants for needy students over five years.

Pell Grants are the foundation of student aid for low- and moderate-income families. Increasing the maximum award to \$3,000 provides more aid to currently eligible students, and makes an additional 130,000 students eligible for the grants. In addition, the proposal would increase the eligibility of older, low-income students. With this change, more low-income students who are 24 years old or older and financially independent from parents would receive a Pell Grant. Pell Grants are particularly beneficial for low-income students who have little or no tax liability because of the high award level and its availability for all four years of undergraduate education.

### ***Cut Student Loan Fees and Interest***

- Borrower-paid loan fees cut in half for 4 million low- and middle-income students, and by a quarter for 2.5 million other loans to student and parent borrowers.
- \$2.6 billion in borrower savings over five years produced by the fee cut alone.

- Interest rate during in-school period cut for 2 million students, saving them an additional \$1 billion.

Before 1993, borrowers lost up to 8 percent of their student loans in required fees before the money ever reached them. In 1993, the President's aggressive student loan reforms spurred a 50 percent cut in allowable fees that has already saved families nearly \$2 billion. The President's plan proposes -- for both the Direct and guaranteed loan programs -- to cut loan fees from 4 percent to just 2 percent on need-based Stafford loans, and to 3 percent on other loans for students and parents.

The Congressional Budget Office and other analysts have noted that lender costs during the in-school period -- when students are not required to make payments on their loans -- are very low. The budget reduces the interest rate during that period by one percentage point.

The proposal provides these benefits to students while saving taxpayers \$3.5 billion over five years by streamlining the guaranty agency system to make it more efficient and cost effective and by eliminating excess lender profits.

### *College Work-Study\**

- Budget funds 1 million College Work-Study slots by the year 2000.
- Incentives to reach the goal of 100,000 work-study reading tutors by 1999.

The President's 1998 budget also increases aid for students through subsidized jobs in the College Work-Study program. The President has called on colleges to commit half of the increased funding since FY 1996, \$120 million for FY 1998, to supporting community service jobs. The Secretary of Education recently waived the institution's required portion of the awards for students that participate as reading tutors -- part of America's Reading Challenge, helping to ensure that every child can read independently and well by the end of third grade. The President's budget is on a path to achieve the President's goal to raise the number of Work-Study recipients to a million by the year 2000, and 100,000 reading tutors by 1999.

\* College Work-Study proposal is included in the President's budget request and appropriations language but not in the HOPE Act.

**Case Studies:**  
***How the President's Higher Education Proposals***  
***Benefit Typical American Families***

**Two Examples of How to Save for College Tax-Free**

Taken together, the Administration's proposal to allow penalty-free withdrawals from IRAs for college tuition and the tuition tax deduction allow families to save tax-free for their children's education. Families pay no income taxes on money they contribute to an IRA, and the interest accumulates tax-free. Under the Administration's proposal, families would be allowed to withdraw money from their IRA to pay higher education expenses without paying the usual excise tax. And because they can deduct tuition expenses of up to \$10,000 per year from taxable income, they will not have to pay the income tax normally due on IRA withdrawals. *This adds up to tax-free saving for college.*

The following examples demonstrate how the Administration's proposals help families save for their children's college tuition:

**Example 1**  
**\$35,000 Family Income**

A family with combined income of \$35,000 per year in a 15% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before tax savings into an IRA for 18 years.
- Without the Administration's proposal, the same family would need to put away almost \$1,090 per year *after taxes*. That means that they need to earn more than \$1,280 per year *before taxes*, a **difference of \$325 per year to reach the same savings goal.**

**Example 2**  
**\$60,000 Family Income**

A family with combined income of \$60,000 per year in a 28% marginal tax bracket saving for college expenses of \$10,000 per year for 4 years. The family earns an 8% annual return.

- Under the Administration's proposal this family would need to put \$955 per year in before-tax savings into an IRA for 18 years.
- Without the Administration's proposal, the same family would need to put away \$1,220 per year *after taxes*. That means that they need to earn nearly \$1,700 per year *before taxes*, a **difference of almost \$750 per year to reach the same savings goal.**

## Four Examples of How the HOPE Act Works

The tax liabilities used in the following four examples are based on the personal exemption, standard deduction and the beginning point for the 28 percent rate bracket assumed to be in effect in 1998, the first year the increased Pell Grants will be available under the President's proposal. Under the proposal, the maximum tuition deduction for 1998 is \$5,000. It is \$10,000 for years thereafter. Tax liabilities are estimated on the assumption that itemized deductions of 18 percent of adjusted gross income are claimed if that amount exceeds the standard deduction.

### *Example 3*

#### **\$60,000 Family Income Married Couple With One Child in College 1998 Benefit: \$1,500**

Larry and Jill O'Neill are a married couple with two children. Larry and Jill earn \$60,000 in 1998. They claim both children as dependents because they provide more than half of their support. Bobby, the O'Neills' older child, enrolls as a freshman in a community college in the fall of 1998 and is charged \$1,500 in tuition and required fees. Bobby's parents pay his tuition. Under the President's proposals, the O'Neills are entitled to a HOPE Scholarship tuition credit of \$1,500. (Because a credit is being claimed for Bobby's freshman year, his grade point average does not affect his eligibility for the credit.) The credit reduces their tax liability by \$1,500. **Thus, the O'Neills get a total benefit of \$1,500 from the President's proposals.**

#### Without the President's Proposals

Tuition cost: \$1,500  
Pell grant: \$0  
Tax liability: \$5,760

#### With the President's Proposals

Tuition cost: \$1,500  
Pell grant: \$0  
Tax liability: \$4,260

### *Example 4*

#### **\$10,000 income Independent College Student 1998 Benefit: \$3,458**

Joe Jefferson is a college freshman in the fall of 1998. He is single and supports himself. He earns \$10,000 in 1998. In September 1998, Joe enrolls in college and pays \$3,025 in tuition and required fees for the fall semester. In December he is charged \$3,025 in tuition and fees for the spring semester. Under the President's proposals, Joe is entitled to a Pell grant of \$3,000 that he uses to pay part of his tuition. He pays the remaining \$3,050 with a combination of savings and loans. Under the President's proposals, he is entitled to a tuition deduction for his \$3,050 payment. The deduction reduces Joe's tax bill by \$458, which is more than his total tax liability for the year. **Thus, Joe gets a total benefit of \$3,458 from the President's proposals, \$3000 in Pell Grants and \$458 in reduced taxes.**

#### Without the President's Proposals

Tuition cost: \$6,050  
Pell grant: \$0  
Tax liability: \$458 (less \$3 EITC)

#### With the President's Proposals

Tuition cost: \$6,050  
Pell grant: \$3,000  
Tax liability: \$0 (plus \$3 EITC refund)

*Example 5*  
**\$30,000 Family Income**  
**Married Couple with One Child in College**  
**1998 Benefit: \$1,050**

Victor and Susan Montoya are a married couple with one child, Maria. Tom and Susan earn \$30,000 in 1998. They claim Maria as a dependent because they provide more than half of her support. Maria attends college for two semesters in 1998 and is charged \$6,850 in tuition and required fees at the beginning of the year. Under the President's proposals, Maria receives a Pell grant for \$1,850. Her parents pay \$1,000 of her tuition. She pays the rest of the tuition bill with a combination of savings and loans. Under the President's proposals, the Montoyas are entitled to a tuition deduction for the \$5,000 their family has paid in tuition and required fees. The deduction reduces the Montoyas' tax bill by \$750. **Thus, the Montoyas get a total benefit of \$1,050 from the President's proposals, \$300 in additional Pell Grants and \$750 in reduced taxes.**

Without the President's Proposals

Tuition cost: \$6,850  
Pell grant: \$1,550  
Tax liability: \$2,220

With the President's Proposals

Tuition cost: \$6,850  
Pell grant: \$1,850  
Tax liability: \$1,470

*Example 6*  
**\$90,000 Family Income**  
**Married Couple With Two Children in College**  
**1998 Benefit: \$1,450**

Paul and Debbie Green are a married couple with two children, David and Barbara. Paul and Debbie have income of \$90,000 in 1998 (including income from an IRA withdrawal, described below). They claim David and Barbara as dependents because they provide more than half of their support. In 1998, David is enrolled in college for the second semester of his junior year and the first semester of his senior year. Barbara is enrolled in the second semester of her freshman year and the first semester of her sophomore year. At the beginning of 1998, Barbara has a B+ grade point average. David's bill for tuition and required fees is \$5,000, and Barbara's is \$1,500. Paul and Debbie pay their children's tuition and required fees with a combination of savings, including \$2,000 they withdraw from their IRAs, and loans. Under the President's proposals, they avoid any penalty for early withdrawal from their IRAs, and they are entitled to a credit of \$750 for Barbara's tuition and a deduction of \$2,500 for David's tuition. (Because their income places them in the middle of the \$80,000 to \$100,000 phase-out range, they claim half the maximum credit and deduction.) The credit and the deduction reduce their tax liability by \$1,450. **Thus, the Greens get a total benefit of \$1,450 from the President's proposals.**

Without the President's Proposals

Tuition cost: \$6,500  
Pell grant: \$0  
Tax liability: \$12,128  
Penalty for early withdrawal: \$200.

With the President's Proposals

Tuition cost: \$6,500  
Pell grant: \$0  
Tax liability: \$10,678

## **COLLEGE AND UNIVERSITY PRESIDENTS SUPPORT PRESIDENT CLINTON'S HIGHER EDUCATION INITIATIVE**

*Already, over 250 college presidents -- representing community colleges, public and private colleges and universities -- have expressed support for President Clinton's higher education initiatives.*

- 70 community college presidents and 280 community college trustees signed the American Association of Community Colleges and Trustees letter of support for the President's higher education initiatives
- 105 private college presidents joined the president of Dickinson College in signing a letter of support for the President's initiatives
- 23 California State University presidents joined the Chancellor of the California State University System in a letter of support for the President's initiatives
- 63 Christian college presidents signed the Coalition for Christian Colleges & Universities letter commending the President for his higher education efforts
- The American Council on Education Board of Directors, which represents 1,700 college and university presidents, passed a resolution in support of the President's initiatives
- The National Association of Student Financial Aid Administrators, representing over 3,100 colleges and universities, expressed support for the President's initiatives



COMMITTEE FOR EDUCATION FUNDING

Bruce,

These folks requested to meet with you. M. Cohen is going to meet with them for you at 10:30 a.m. in Room 211. He'd like for you to do a drop-by to say hello at 11:00 a.m.

Cathy

**MEMORANDUM**

TO: Cathy Mays

FROM: Catherine Graham

RE: Committee for Education Funding Officers meeting with Mike Cohen

DATE: March 14, 1997

Following are the full names, dates of birth and social security numbers for the Committee for Education Funding officers who will be meeting with Mike Cohen on Thursday, March 20 at 10:30 a.m. I have also sent a list of the officers and their respective organizations.

As we discussed earlier we would appreciate the opportunity to say hello to Bruce Reed, but we understand his demanding schedule. Please call me at (202)-383-0083 if you have any questions. Thank you for your assistance.

Carnie C. Hayes	5/08/48	258-72-4190
Myrna R. Mandlawitz	8/19/51	224-62-9983
Edward R. Kealy	2/07/48	135-42-0885
Kenneth McInerney	7/22/63	091-50-5275
Violet A. Boyer	6/23/56	504-84-5565
Catherine D. Graham	6/16/68	333-72-0232



COMMITTEE FOR EDUCATION FUNDING

ASK MIKE  
IF HE SHD  
DO IT

Will call me  
tomorrow

March 20 1030  
April 21st  
211

Mr. Bruce Reed  
Assistant to the President for Domestic Policy  
Old Executive Office Building, Room 213  
17th Street and Pennsylvania Avenue, NW  
Washington, DC 20502

PRESIDENT

CARIE C. HAYES  
Council of Chief State  
School Officers

VICE-PRESIDENT

KENNETH McINERNEY  
National Association of  
Student Financial Aid Administrators

TREASURER

MYRNA R. MANDLAWITZ  
National Association of State  
Directors of Special Education

EXECUTIVE DIRECTOR

EDWARD R. KEALY

February 19, 1997

Dear Mr. Reed:

The Committee for Education Funding (the Committee), a coalition of over eighty education organizations representing the broad spectrum of the education community, would like to congratulate you on your appointment as Assistant to the President on Domestic Policy. The officers of the Committee would greatly appreciate the opportunity to meet with you in February or March to discuss the President's Budget Request for Fiscal Year 1998. The Committee is a nonprofit, nonpartisan coalition committed to securing adequate federal funding for the education of America's children, youth and adults.

The President has made an extraordinary commitment to education in his FY98 Budget. In his State of the Union speech, he declared, "my number one priority for the next four years is to ensure that all Americans have the best education in the world." The Committee greatly appreciates the President keeping education at the forefront of his agenda and looks forward to working with the Administration to achieve this goal.

Please contact me or Catherine Graham at the Committee for Education Funding (202-383-0083) to inform us of your availability or if you should need further information. Thank you for your consideration.

Sincerely,

*Carrie Hayes*  
Carrie C. Hayes  
President

*Edward R. Kealy*  
Edward R. Kealy  
Executive Director

enclosures



## COMMITTEE FOR EDUCATION FUNDING

The Committee for Education Funding (CEF), a coalition founded in 1969, is celebrating the tenth anniversary of its Congressional Awards Dinner. We gather tonight to commemorate the effort of our community in working to achieve adequate federal financial support for the nation's education system. The coalition is voluntary, nonprofit, and nonpartisan. The Committee for Education Funding members are concerned individuals, educational institutions, agencies, associations, and other organizations whose interests range from preschool to postgraduate education in both public and private systems.

The purpose of the Committee is to provide the general public, the Administration, and especially the United States Congress with information enabling them to better assess the function of general education programs and the necessity of adequate financial support to ensure their effectiveness.

The coalition was created to combat efforts to drastically cut education funding. Highlighting the urgency of the time, the group was initially called the Emergency Committee for the Full Funding of Education programs. With the guidance of Charles Lee, a former Senate staff member, the Committee came together in a broad coalition to make full funding for education a national priority.

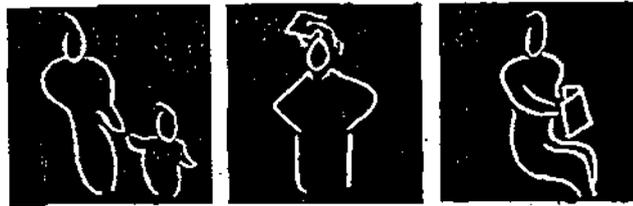
By the mid-1970s, the education community recognized the need for a permanent coalition to advocate for education funding. In 1983, the organization became known as it is today: the Committee for Education Funding. During the 1980s' threats to abandon the federal role in education served as a unifying force for CEF. Under the direction of Susan Frost, the Committee emerged from the decade even more committed to its goal of ensuring that all students have access to a quality education. Today, the Committee for Education Funding has nearly 100 member organizations, institutions, and associations that are active participants in the coalition.

As we come to the mid 1990s, the federal role in education faces unprecedented budgetary pressures. Under the leadership of its current Executive Director, Edward R. Kealy, the Committee for Education Funding will continue its commitment to provide the education community with a strong and unified voice for education as the nation's top priority.

## 1997 Committee For Education Funding Members

American Association of Classified School  
 Employees  
 American Association of Colleges for Teacher  
 Education  
 American Association of Community Colleges  
 American Association of Educational Service  
 Agencies  
 American Association of State Colleges  
 and Universities  
 American Council on Education  
 American Association of State Colleges  
 and Universities  
 American Association of University Professors  
 American Counseling Association  
 American Federation of School Administrators  
 American Federation of Teachers  
 American Library Association  
 American Student Association of Community  
 Colleges  
 American Vocational Association  
 America's Public Television Station  
 Association of American Universities  
 Association of Community College Trustees  
 Association of Proprietary Colleges  
 Brunstein & Manasevit  
 California State Department of Education  
 California State University  
 Career College Association  
 Coalition of Higher Education Assistance  
 Organizations  
 The College Board  
 Council for American Private Education  
 Council for Educational Development and  
 Research  
 Council for Exceptional Children  
 Council of Chief State School Officers  
 Educational Legislative Services  
 Educational Testing Service  
 Magnet Schools of America, Inc.  
 The McGraw-Hill Companies  
 National Alliance of Black School Educators  
 National Association for College Admission  
 Counseling  
 National Association of College and University  
 Business Officers

National Association of Elementary School  
 Principals  
 National Association of Federal Education Program  
 Administrators  
 National Association of Federally Impacted  
 Schools  
 National Association of Graduate Professional  
 Students, Inc.  
 National Association of Independent Colleges and  
 Universities  
 National Association of Private Schools for  
 Exceptional Children  
 National Association of School Psychologists  
 National Association of Secondary  
 School Principals  
 National Association of State Directors  
 of Special Education  
 National Association of State Directors of  
 Vocational & Technical Education Consortium  
 National Association of State Student Grant and  
 Aid Programs  
 National Association of Student Financial Aid  
 Administrators  
 National Board for Professional Teaching  
 Standards  
 National Community Education Association  
 National Council of Educational Opportunity  
 Associations  
 National Council of Teachers of Mathematics  
 National Education Association  
 National Middle School Association  
 National Rural Education Association  
 National School Boards Association  
 New York State Education Department  
 National Title VI Steering Committee  
 New York University  
 Princeton University  
 Public Education Network  
 Software Publishers Association  
 Texas Education Agency  
 United States Students Association  
 University of Miami  
 University of Michigan




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 COMMITTEE FOR EDUCATION FUNDING
 

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## 1997 Officers and Executive Committee

### Officers

- President:           Carnie C. Hayes, Council of Chief State School Officers
- Vice-President:    Kenneth McInerney, National Association of Student Financial  
Aid Administrators
- Treasurer:         Myrna R. Mandlawitz, National Association of State Directors  
Of Special Education

### Executive Committee

- Violet A. Boyer, National Association of Independent Colleges and Universities
- David S. Byer, Software Publishers Association
- Stephanie T. Giesecke, Association of Community College Trustees
- Hilary Goldmann, American Association of State Colleges and Universities
- Carolyn Henrich, National Parent Teacher Association
- Donna Mollis, American Federation of Teachers
- Ellin Nolan, Coalition of Higher Education Assistance Organizations
- Nancy O'Brien, American Vocational Association
- Joel C. Packer, National Education Association
- Michelle C. Richards, National School Boards Association
- Charles R. Russell, Texas Education Agency
- Lawrence A. Soler, Association of American Universities
- Becky Timmons, American Council on Education
- John Forkenbrock, *ex-officio*, National Association of Federally Impacted Schools
- Lexy Boudreau, *ex-officio*, National Council of Educational Opportunity Associations

YOUNG  
HARRIS  
COLLEGE

February 21, 1997

Office  
of  
President

P.O. Box 98  
Young Harris  
Georgia 30582

Dr. Stanley O. Ikenberry  
President  
American Council on Education  
One Dupont Circle  
Washington, D.C. 20036

Dear Dr. Ikenberry:

In light of President Clinton's Hope Scholarship proposals, I am sharing our positive experience at Young Harris College with Georgia's HOPE program. Young Harris College is a traditional two year, independent, residential, liberal arts college related to the United Methodist Church. The college is located in a rural environment in the mountains of northeast Georgia and has a capacity enrollment of 530 students. Our students are primarily the traditional college freshmen and sophomores, i.e., 18 -20 year olds just out of secondary school. More than 90% will transfer to a four year college after completing their work at Young Harris. We are somewhat selective in our entrance requirements. Our average freshman in Fall 1996 had a high school grade point average, computed on academic courses, of 2.93. Our average SAT was 997.

I understand from the media that some have suggested that the programs proposed by President Clinton will lead to increased tuition, less institutional student aid and grade inflation. Our experience at Young Harris College suggests that these problems are unlikely to occur. In fact, we have increased institutional student aid since the beginning of Georgia's HOPE program, moderated tuition increases, and raised our admission requirements which has led to a modest improvement in student achievement. We believe that, at our institution, HOPE has had a positive impact which has benefited students.

Since the inception of the HOPE program in Georgia in Fall 1993, we have raised our entrance requirements to Young Harris College three times. This has led to a corresponding improvement in the academic performance of our students. For example, in the 1992 Fall Quarter, the last year before the existence of the HOPE program, 9.8% of our students were on the Dean's List. In the 1996 Fall Quarter 15% had achieved this distinction. In Fall 1992 12.6% of our students were placed on academic probation while in 1996 only 9.9% were on academic probation. After the 1992 Fall Quarter 2.1% of our students were suspended from college because of poor academic performance while only 0.1% were suspended after the 1996 Fall Quarter. We suggest that the

A proud tradition of academic excellence.  
A strong commitment to future achievement.

Dr. Stanley O. Ikenberry

2

2/21/97

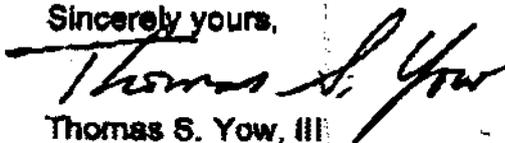
difference is improved academic preparation at the entrance into college and the financial incentive of HOPE to achieve academically while enrolled.

One of the primary stimulants to increased tuition at our institution is the cost of institutionally funded financial aid. This assistance, which comes from tuition revenue and gifts to the operating fund of the college, increases each year. These increases cause a corresponding increase in tuition and, in turn, necessitate additional increases in institutionally funded student financial aid. There is every incentive for us to keep our tuition as competitive as possible. If we can do a better job of controlling institutionally funded financial aid, we can better control our tuition increases. As in any free market environment, a lower cost makes us more attractive to a prospective student.

Our evidence indicates that the HOPE program has helped us moderate our tuition increases even though we have increased our institutionally funded student assistance during the existence of the HOPE program. In the 1992-1993 academic year, our total financial aid awarded to 543 students was \$1,899,583. Of that amount, \$783,743 was from institutional funds which was 47% of the aid awarded. During the 1995-1996 academic year, we awarded a total of \$2,800,603 to 570 students. Our 1995-1996 institutional share was \$1,019,179 which is 36% of the aid awarded. Thus while we have increased our institutional financial assistance to students, we also have decreased the percentage of total aid provided from college sources. Since 1983 our students have received a total of \$1,395,464 from the HOPE program. Had we not had the HOPE assistance, we would have had to make up those funds from institutional sources which would have raised our percentage of institutionally funded student aid and increased the amount of tuition charged to fund that aid. My estimate is that increase probably would have been as high as \$600.

Evidence at our institution suggests that the HOPE program has helped us achieve four desired results: maintain full enrollment, raise academic standards, increase student financial assistance, slow tuition increases. We believe that the program has been positive for our students. Our evidence suggests that President Clinton's Hope program could also be positive for students.

Sincerely yours,



Thomas S. Yow, III  
President

es

Credit--Current Parameters	Credit--Simplified Parameters
Maximum \$1500 credit per academic year for full-time enrollment (e.g., for two semesters, or three quarters), maximum \$750 credit per academic year for at least half-time enrollment, maximum \$3000 lifetime.	Maximum \$1500 credit per calendar year (regardless of whether enrolled half-time or full-time). Credit available twice in student's lifetime.
Taxpayer must choose between a credit or deduction for each academic period. Can claim both a deduction and a credit for the same student in the same year.	Taxpayer who is eligible to claim the credit for a student cannot claim a deduction for the student.
Credit available to parent if student eligible to be claimed as dependent. Otherwise available to student.	Same.
Credit is phased out for MAGI of between \$80,000 and \$100,000	Same
Credit is only available for tuition paid during taxable year for an academic period during which the student is enrolled least half-time in a degree or certificate program in the taxable year or beginning in the first three months of the next taxable year.	Credit is available for any tuition paid during taxable year if the student is enrolled at least half-time in a degree or certificate program for any academic period in current taxable year or beginning in first three months of next taxable year (provided tuition paid in current taxable year)
Credit is available only for tuition paid for academic periods before completion of second post-secondary year of education.	Credit is available for any tuition paid during taxable year in which student is enrolled in one of first two years of post-secondary education).
Maximum credit is reduced by federal grants.	Same
Amount of credit limited to tuition and required fees actually paid (e.g., less all grants and scholarships).	Same
Must earn B- GPA in 13th year to qualify for credit in 14th year.	Must obtain a B- GPA for all post-secondary course work begun in prior years.
Must not have felony drug conviction	Same

only one for given tax yr

\$2.3 B over 6 (\$1000 in 2002) \$10 B/yr in 2002

Deduction--Current Parameters	Deduction--Simplified Parameters
Maximum \$10,000 deduction per family per year.	Same
Deduction limited to tuition and required fees actually paid (e.g., less all grants and scholarships).	Same
To claim the deduction, the student must be enrolled at least half-time in a degree or certificate program or taking course to improve job skills.	Deduction is available for any tuition paid during taxable year if the student is enrolled at least half-time in a degree or certificate program for any academic period in current taxable year or beginning in first three months of next taxable year (provided tuition paid in current taxable year), or taking course to improve job skills.
Deduction available to parent if student eligible to be claimed as dependent. Otherwise available to student.	Same
Credit is phased out for MAGI of between \$80,000 and \$100,000	Same

Form 1099 HE 1999

Name of institution \_\_\_\_\_ EIN \_\_\_\_\_

Taxpayer's Social Security Number \_\_\_\_\_

Name Address
-----------------

Student will have to supply SSN to institution

Student's Name (if different from taxpayer's) \_\_\_\_\_

Student's Social Security Number \_\_\_\_\_

1 Payments of tuition and required fees during 1999 by, or on behalf of, student from sources other than grants or scholarships or employers for semester, etc., beginning in 1999 or the first three months of 2000.

\$ \_\_\_\_\_

2 Check box if any line 1 payments were for a semester, etc., during which student was enrolled at least half-time in the first or second academic year of post-secondary education that was part of a degree or certificate program.

3 Check box if student completed two academic years of post-secondary education prior to enrollment in the first academic period covered by this 1099 HE.

If the line 3 box is checked, the remainder of this form need not be completed.

4 Check box if student completed one academic year of post-secondary education prior to enrollment in any course of instruction for which a line 1 payment was made.

5 Federal grants allocable to semester(s), etc., for which line 1 payments were made.

\$ \_\_\_\_\_

6 The lesser of line 1 or \$1,500 minus line 5.

\$ \_\_\_\_\_

## Instructions for Form 1099 HE

- 1 Payments made from the proceeds of loans are included in line 1. Payments made by employers are excluded to the extent they are excluded from the employee's income. All grants and scholarships are treated as payment first for tuition and required fees, even if nominally designated for another purpose, e.g., room and board. Exempt Savings Bond interest is treated as a grant.
- 2 Pell and SEOG grants are included in line 5. Payments for work study are not included. If a single payment from a federal grant is made for academic periods for which line 1 payments were made and other academic periods, the federal grant must be appropriately allocated to the periods for which line 1 payments were made.

Instructions for this 1099  
will have to be based  
on detailed IRS guidance  
regarding definition of  
terms and addressing unusual  
circumstances

**Schedule HE-C Tax Credits for Higher Education**

Use this schedule for calculating allowable credits for the payment of tuition and required fees for the first two years of post-secondary education for the taxpayer, the taxpayer's spouse, and any person claimed as a dependent by the taxpayer. If a credit may be claimed with respect to any individual student, no deduction for higher education expenses may be claimed with respect to that student by any taxpayer. Credits may not be claimed in more than two taxable years with respect to any individual student. Credits are not allowed for taxpayers with modified adjusted gross income of more than \$100,000 on a joint return or \$70,000 on a single or head of household return. Credits are not allowed on the returns of married persons filing separately or for students who are non-resident aliens or certain drug felons. No student may claim a credit on a return if the student is claimed as a dependent on the return of any other person. All claims for credits must be supported by Form 1099 HE(s) attached to this schedule. A credit may be claimed for an individual student only if the line 2 box is checked on at least one Form 1099 HE for 1999. If the line 3 box is checked, no credit may be claimed. If the line 4 box on any 1099 HE is checked, or if this is the second year for which a credit is being claimed for a student, the student must have earned a B- grade average (2.75 on a 4 point scale); or the equivalent thereof, with respect to education at post-secondary institutions completed prior to any academic period for which a credit is claimed on this Schedule; evidence thereof must be maintained in the taxpayer's records.

<b>1 First student's name</b> _____ <b>Social Security number</b> _____		
Name of institution supplying 1099 HE	Institution's EIN	1099 HE line 6 amount
a _____	_____	\$ _____
b _____	_____	\$ _____
c _____	_____	\$ _____
d Enter the sum of lines a, b, and c.		\$ _____
e Enter the lesser of line d or \$1,500		\$ _____
<b>2 Second student's name</b> _____ <b>Social Security number</b> _____		
Name of institution supplying 1099 HE	Institution's EIN	1099 HE line 6 amount
a _____	_____	\$ _____
b _____	_____	\$ _____
c _____	_____	\$ _____
d Enter the sum of lines a, b, and c.		\$ _____
e Enter the lesser of line d or \$1,500		\$ _____
<b>3 Third student's name</b> _____ <b>Social Security number</b> _____		
Name of institution supplying 1099 HE	Institution's EIN	1099 HE line 6 amount
a _____	_____	\$ _____
b _____	_____	\$ _____
c _____	_____	\$ _____
d Enter the sum of lines a, b, and c.		\$ _____
e Enter the lesser of line d or \$1,500		\$ _____
<b>4 Fourth student's name</b> _____ <b>Social Security number</b> _____		
Name of institution supplying 1099 HE	Institution's EIN	1099 HE line 6 amount
a _____	_____	\$ _____
b _____	_____	\$ _____
c _____	_____	\$ _____
d Enter the sum of lines a, b, and c.		\$ _____
e Enter the lesser of line d or \$1,500		\$ _____
<b>5 Potential credit. Enter the sum of 1e, 2e, 3e, and 4e.</b>		\$ _____

Schedule HE-C Tax Credits for Higher Education

Application of phase-out ratio

- 6 Adjusted gross income (from line xx, Form 1040) \$ \_\_\_\_\_
- 7 Income excluded by reason of sections 911, 931, and 933 (see instructions) \$ \_\_\_\_\_
- 8 Modified adjusted gross income: add lines 6 and 7 \$ \_\_\_\_\_

If your line 8 amount is \$50,000 or less (\$80,000 or less for a joint return), enter the amount on line 5 on line yy of your Form 1040 and do not complete the rest of this page.

If your line 8 amount is \$70,000 or more (\$100,000 or more for a joint return), you are ineligible for any credit calculated on this Schedule HE-C or any deduction calculated on Schedule HE-D.

- 9 Phase-out ratio
  - (a) Line 8 amount minus \$50,000 (80,000 for joint returns) \$ \_\_\_\_\_
  - (b) Divide (a) by \$20,000 and enter. If greater than 1.00 no credit may be claimed. \_\_\_\_\_
- 10 Enter amount from line 5. \$ \_\_\_\_\_
- 11 Multiply line 10 amount by line 9 (b) phase-out ratio. \$ \_\_\_\_\_
- 12 Allowable credit: Subtract line 11 from line 10 and enter on line yy of your Form 1040. \$ \_\_\_\_\_

**Schedule HE-D Deductions for Higher Education**

Use this schedule for calculating allowable deductions for the payment of tuition and required fees for any period of post-secondary education for the taxpayer, the taxpayer's spouse, and any person claimed as a dependent by the taxpayer. Deductions are not allowed for taxpayers with adjusted gross income of more than \$100,000 on a joint return or \$70,000 on a single or head of household return. Deductions are not allowed on the returns of married persons filing separately or for students who are non-resident aliens or certain drug felons. No student may claim a deduction on a return if the student is claimed as a dependent on the return of any other person. No deduction may be claimed for educational expenses of students for whom a credit may be claimed. All claims for deductions must be supported by Form 1099 HE(s) attached to this schedule. Generally, no deduction with respect to an individual student may be claimed unless the box on line 2 of at least one Form 1099 HE for that student has been checked by the issuing institution. If the line 2 box has not been checked, a deduction may only be claimed if the education is related to the student's job or enhances the student's employment-related skills and the taxpayer so indicates by checking the appropriate box on lines 1 - 4. No deduction may be claimed with respect to line 1 amounts on any Form 1099 HE which has been used by the taxpayer or any other person to claim a credit using Schedule HE - C.

education is job/skill related  1099 HE line 1

**1** First student's name \_\_\_\_\_ Social Security number \_\_\_\_\_  
 Name of institution supplying 1099 HE \_\_\_\_\_ Institution's EIN \_\_\_\_\_

a \_\_\_\_\_  
 b \_\_\_\_\_  
 c \_\_\_\_\_

	\$	_____
	\$	_____
	\$	_____

**2** Second student's name \_\_\_\_\_ Social Security number \_\_\_\_\_  
 Name of institution supplying 1099 HE \_\_\_\_\_ Institution's EIN \_\_\_\_\_

a \_\_\_\_\_  
 b \_\_\_\_\_  
 c \_\_\_\_\_

	\$	_____
	\$	_____
	\$	_____

**3** Third student's name \_\_\_\_\_ Social Security number \_\_\_\_\_  
 Name of institution supplying 1099 HE \_\_\_\_\_ Institution's EIN \_\_\_\_\_

a \_\_\_\_\_  
 b \_\_\_\_\_  
 c \_\_\_\_\_

	\$	_____
	\$	_____
	\$	_____

**4** Fourth student's name \_\_\_\_\_ Social Security number \_\_\_\_\_  
 Name of institution supplying 1099 HE \_\_\_\_\_ Institution's EIN \_\_\_\_\_

a \_\_\_\_\_  
 b \_\_\_\_\_  
 c \_\_\_\_\_

	\$	_____
	\$	_____
	\$	_____

**5** Enter the sum of all amounts from lines 1 - 4.

	\$	_____
--	----	-------

**6** Potential deduction: Enter the lesser of line 5 amount or \$10,000.

	\$	_____
--	----	-------

Schedule HE-D Deductions for Higher Education

Application of phase-out ratio

- 7 Adjusted gross income (from line xx, Form 1040) \$ \_\_\_\_\_
- 8 Income excluded by reason of sections 911, 931, and 933 (see instructions) \$ \_\_\_\_\_
- 9 Modified adjusted gross income: add lines 6 and 7 \$ \_\_\_\_\_

If your line 9 amount is \$50,000 or less (\$80,000 or less for a joint return), enter the amount on line 6 on line zz of your Form 1040 and do not complete the rest of this page.

If your line 9 amount is \$70,000 or more (\$100,000 or more for a joint return), you are ineligible for any deduction calculated on this Schedule HE-D or any credit calculated on Schedule HE-C.

- 10 Phase-out ratio
  - (a) Line 9 amount minus \$50,000 (80,000 for joint returns) \$ \_\_\_\_\_
  - (b) Divide (a) by \$20,000 and enter. If greater than 1.00 no deduction may be claimed. \_\_\_\_\_
- 11 Enter amount from line 6. \$ \_\_\_\_\_
- 12 Multiply line 11 amount by line 10 (b) phase-out ratio. \$ \_\_\_\_\_
- 13 Allowable deduction: Subtract line 12 from line 11 and enter on line zz of your Form 1040. \$ \_\_\_\_\_

Form 1099 HE 1999

*Educ - HOPE Scholarships*

**(a)** Student's first academic period beginning in 1999

Name of institution \_\_\_\_\_ EIN \_\_\_\_\_

Taxpayer's Social Security Number \_\_\_\_\_

Name  
Address

Student will have to supply SSN to institution

Student's Name (if different from taxpayer's) \_\_\_\_\_

Student's Social Security Number \_\_\_\_\_

1 Enrollment status (F, H or P)

2 If enrollment is part of a Degree or Certificate program, check box

3 Payments of tuition and required fees for academic period made during 1999 by, or on behalf of, student from sources other than grants or scholarships or employers.

\$ \_\_\_\_\_

4 If student's enrollment for this academic period is part of first two years of post-secondary education, check box.

Complete lines 5 and 6 only if line 4 box has been checked

5 If student has enrolled for one full academic year prior to this academic period, check box.

6 If line 5 box is checked, check this box if student earned GPA of 2.75 or above, or the equivalent for the first academic year.

7 Portion of academic year \_\_\_\_\_

8 Federal grants allocable to academic period. \$ \_\_\_\_\_

**(b)** Form 1099 HE 1999 ←

Student's second academic period beginning in 1999

Repeat lines 1-8 from above

This four part form would be provided by the institution to the taxpayer by January 31, of the year following the taxable year

**(c)** Form 1099 HE 1999 ←

Student's third academic period beginning in 1999

Repeat lines 1-8 from above

**(d)** Form 1099 HE 1999 ←

Student's academic period beginning during the first three months of 2000 for which line 5 payments were made during 1999.

Repeat lines 1-8 from above

## Instructions for Form 1099 HE

1 Enrollment Status: F = full-time; H = at least half-time but less than full-time; P = less than half-time. All designations are for the academic period for which the student is enrolled.

*if they are not reported as income to the employee.*

3 Payments made from the proceeds of loans are included. Payments made by employers are excluded. All grants and scholarships are treated as payment for tuition and required fees, even if nominally designated for another purpose, e.g., room and board.

5 Portion of academic year: See table below for portion of academic year by type of academic period and enrollment status.

Type of academic period	Portion of Academic Year	
	Full-time (F)	Half-time (H)
Semester	0.50	0.25
Trimester	0.50	0.25
Quarter	0.33	0.17
Qualified summer session	0.33	0.17

Programs measured in hours of instruction

300 but less than 450	0.33
450 but less than 600	0.50
600 but less than 750	0.66
750 but less than 900	0.83
900 or more	1.00

6 Pell and SEOG grants are included. Payments for work study are not included. If a single payment from a federal grant is made for more than one academic period, that payment must be allocated to the appropriate academic periods.

Instructions for this 1099  
will have to be based  
on detailed IRS guidance  
regarding definition of  
terms and unusual  
circumstances

Taxpayer name \_\_\_\_\_

Taxpayer Social Security Number \_\_\_\_\_

**Schedule HE -- Tax Credits and Deductions for Higher Education**

Page 1

1999

Use this schedule for calculating allowable credits and deductions for the costs of post-secondary education for the taxpayer, the taxpayer's spouse, and any person claimed as a dependent by the taxpayer. Use a copy of this page 1 for each student for whom a credit or deduction is claimed. Credits and deductions are not allowed for taxpayers with adjusted gross income of more than \$100,000 on a joint return or \$70,000 on a single or head of household return. Credits and deductions are not allowed on on returns of married persons filing separately or for students who are non-resident aliens or certain drug felons. No student may claim a credit or deduction on a return if the student is eligible to be claimed as a dependent on a parent's return or the return of any other person. Credits may be claimed only with respect to the first two academic years of post-secondary education. In general, credits and deductions can only be claimed with respect to students enrolled at least half-time and who are pursuing a course of study leading to an academic degree or certificate. No credit may be claimed for a student enrolled less than half-time. A deduction may be claimed for a less than half-time student only for courses that are related to the student's job or to enhance the student's job-related skills.

Student's Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

Enter information from Form 1099 HE(s) supplied by educational institution(s)

Attach 1099 HE 1999(s) here

Academic periods beginning in 1999			Academic period beginning in first 3 mos. of 2000 & paid for in 19
(a)	(b)	(c)	(d)
1 Name of institution			
2 EIN of institution			
Academic period reported on 1099 HE			
(a)	(b)	(c)	(d)
\$	\$	\$	\$
\$	\$	\$	\$

1 Name of institution

2 EIN of institution

3 Enter enrollment code F, H or P from 1099 HE(s) line 1

4 Check box if box on 1099 HE(s) line 2 is checked

5 Enter amount(s) from 1099 HE(s), line 3

6 Check box if box on 1099 HE(s) line 4 is checked

7 For each column copy line 5 amount if box on line 4 is checked and line 3 code is F or H. If line 3 code is P, copy line 5 amount even if box on line 4 is not checked, but only if education is job-related or enhances job-related skills.

If claiming a credit for any academic period that is part of the first two years of post-secondary education continue.

If claiming deductions only proceed to page 2.

Do not continue with calculation for any column unless line 3 code is F or H and line 4 and line 6 boxes are checked

**Page 1 continued**  
**Calculating credits**

- 8 Enter academic year(s) or portion thereof of post-secondary education completed by student prior to 1999, including any academic period beginning during the first three months of 1999 for which a credit or deduction was claimed by any taxpayer for the 1998 taxable year. This amount is at least equal to the entry on line 10 column d on page 1 of Schedule HE for this student for 1998.
- 9 Enter amounts from line 7 of 1099 HE(s)
- 10 Add line 8, column a and line 9, column a.  
 Add line 10, column a and line 9, column b.  
 Add line 10, column b and line 9, column c.  
 Add line 10, column c and line 9, column d.

(a)	(b)	(c)	(d)
-----	-----	-----	-----


**If line 10 amount in any column is more than 2.00 no credit may be claimed for academic period**

- 11 Check box if box on 1099 HE(s) line 5 is checked
- 12 Check box if box on 1099 HE(s) line 6 is checked


**If line 11 is checked or line 10 amount is more than 1.00, no credit may be claimed unless line 12 is checked**

- 13 Enter federal grants reported on 1099 HE(s) line 8
- 14 Enter credit amount from table in instructions for portion of academic year reported on line 9 and enrollment status reported on line 5. (see instructions)
- 15 Enter the lesser of line 13 or line 14
- 16 Enter amounts from line 13
- 17 Subtract line 16 from line 15. Do not enter if amount is less than zero.

\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$
\$	\$	\$	\$

Taxpayer name \_\_\_\_\_

Taxpayer Social Security Number \_\_\_\_\_

**Schedule HE -- Tax Credits and Deductions for Higher Education**

Page 2

1999

**TAXPAYER'S SUMMARY OF DEDUCTIONS AND CREDITS FOR POST-SECONDARY EDUCATION**

Use this page of Schedule HE to summarize potential deductions and credits for each student for which a page 1 of this schedule has been prepared. For any one student either a credit or a deduction, but not both, may be claimed for a particular academic period. This page is also used to apply the phase-out ratio, if applicable and determine the total deduction and credit amounts you are able to claim on your Form 1040.

Student's name \_\_\_\_\_ Social Security Number \_\_\_\_\_

18 Potential deduction: copy amounts from line 7, page 1

19 Preliminary credits: copy amounts from line 17, page 1

Academic period reported on 1099 HE			
(a)	(b)	(c)	(d)
\$	\$	\$	\$
\$	\$	\$	\$

Student's name \_\_\_\_\_ Social Security Number \_\_\_\_\_

20 Potential deduction: copy amounts from line 7, page 1

21 Preliminary credits: copy amounts from line 17, page 1

\$	\$	\$	\$
\$	\$	\$	\$

Student's name \_\_\_\_\_ Social Security Number \_\_\_\_\_

22 Potential deduction: copy amounts from line 7, page 1

23 Preliminary credits: copy amounts from line 17, page 1

\$	\$	\$	\$
\$	\$	\$	\$

Student's name \_\_\_\_\_ Social Security Number \_\_\_\_\_

24 Potential deduction: copy amounts from line 7, page 1

25 Preliminary credits: copy amounts from line 17, page 1

\$	\$	\$	\$
\$	\$	\$	\$

26 Potential deductions: add line 18, 20, 22 and 24 amounts in each column

27 Total potential deductions: add 23a, 23b, 23c and 23d

28 Enter the lesser of line 27 or \$10,000. (27)

29 Preliminary credits: add line 19, 21, 23 and 25 amounts in each column

30 Total preliminary credits: add 26a, 26b, 26c and 26d

\$	\$	\$	\$
\$			
\$			
\$	\$	\$	\$
\$			

*Handwritten note:* need additional section to ...

Page 2 continued

**APPLICATION OF THE PHASE-OUT RATIO**

- 31 Adjusted gross income (from line xx from Form 1040). \$
- 32 Income excluded by reason of sections 911, 931, and 933 (see instructions) \$
- 33 Modified adjusted gross income: add lines 32 and 33. \$

If your line 33 amount is \$50,000 or less, \$80,000 or less for a joint return, enter the amount on line 28 on line yy of your Form 1040 and the amount on line 30 on line zz of your Form 1040 and do not complete the rest of this page.

If your line 33 amount is more than \$70,000, \$100,000 for a joint return, you are ineligible for any deductions or credits calculated on this Schedule HE.

- 34 (a) Phase-out ratio: line 33 amount minus \$50,000 (\$80,000 for joint returns) \$
- (b) Divide (a) by \$20,000 and enter. \$

If this ratio is greater than 1.00 no deduction or credit can be claimed.

- 35 Enter amount from line 28. \$
- 36 Multiply line 35 amount by line 34 phase-out ratio. \$
- 37 Allowable deduction: subtract line 36 amount from line 35 amount and enter on line yy of your Form 1040. \$
- 38 Enter amount from line 30. \$
- 39 Multiply line 38 amount by line 34 phase-out ratio. \$
- 40 Allowable credit: subtract line 39 amount from line 38 amount and enter on line zz of your Form 1040. \$

**INSTRUCTION FOR SCHEDULE HE**

**1. Table to be used for claiming credits**

Academic period	Full-time enrollment status		At least half-time enrollment status	
	Portion of academic year from 1099 EH line 7	Maximum credit for use on line 14	Portion of academic year from 1099 EH line 7	Maximum credit for use on line 14
Semester	0.50	\$750	0.25	\$375
Trimester	0.50	\$750	0.25	\$375
Quarter	0.33	\$500	0.17	\$250
Qualified summer session	0.33	\$500	0.17	\$250
Programs measured in hours of instruction				
300 but < 450	0.33	\$500		
450 but < 600	0.50	\$750		
600 but < 750	0.66	\$1,000		
750 but < 900	0.83	\$1,250		
at least 900	1.00	\$1,500		

In addition to walking the taxpayer through Schedule HE, line-by-line, the instructions will have to explain at least the following:

- 1 Reference to Form 1099 HE and how data from that form relate to Schedule HE.
- 2 Institution has to have indicated on the Form 1099 HE that it is a qualified educational institution
- 3 Rules about qualified education
  - a. Must be part of degree or certificate program
  - b. Cannot be for sports or recreation unless part of a degree program
  - c. Only job-related or skill enhancing education is eligible for deduction for less than half-time students.
- 4 What full-time and at least half-time means

**5 Eligible students**

- a. No non-resident aliens
- b. No high school students
- c. No convicted drug felons
- d. B- average rule for second year credits and what to do if institution does not use a 4 point grading scale

**6 What payments count for line 2 amounts**

- a. Loan proceeds do count
- b. Grants and scholarships from any source do not count. Work-study payments are not aid for this purpose.
- c. What tuition and required fees means
- d. Tax-free Savings Bond interest under section 135 does not count
- e. Employer-paid tuition and fees under section 127 do not count unless they exceed \$5,250
- f. Under certain circumstances, payments to foreign educational institutions count
- g. What happens if grandma pays junior's tuition bill. Do Dad and Mom get to count the amount?

**7 Explain treatment of Pell grants and other federal assistance**

- a. What to do if Pell grants in taxable year cover education in another taxable year
- b. What the scope of "other federal assistance" is

**8 Treatment of insurance reimbursements of tuition for, e.g., sick students**

**9 Treatment of refunds by institutions, e.g., necessity to file amended returns**

**10 Definition of qualified summer session**

**11 Determining on a student by student, academic period by academic period basis whether the credit or the deduction gives the taxpayer a greater tax savings is an extremely complicated problem.**

## Additional Implementation Measures

- 1) Certification Form: A form would be prepared for a student to use when providing his/her social security number, the address and social security numbers of the taxpayers who can claim the student as a dependent, and any Privacy Act waivers necessary to allow the school to report academic information about the student.
- 2) Enrollment year as of effective date: The IRS would have to publish a notice establishing the enrollment year of students who have already had some postsecondary education at the time the legislation went into effect. The notice would contain a detailed table showing how students to convert the type of academic period at an institution into decimals (e.g. a semester is .50) and add them together to establish whether a student had depleted his/her eligibility for the credit.
- 3) Temporary incompletes, missing grades, pass/fail systems: Regulations would prescribe to institutions how to calculate the GPA of a student who takes a temporary incomplete in a course, has not yet received a grade from a professor or has been graded strictly on a pass/fail system. These rules would be necessary to apply the B- requirement for the second year of the credit.
- 4) Department of Justice checks drug felony records: The Department of Justice would be asked to determine whether students applying for the credit had drug felony records. The checks would need to be swift so as not to delay taxpayer refunds.
- 5) Department of Education checks eligibility of institution: The Department of Education would provide a tape of the employer identification numbers of eligible institutions that could be used for compliance purposes.
- 6) Allocation rule for scholarships and fellowships: The revenue estimate assumes that any scholarships or fellowships received are used first to offset tuition and fees and then for any additional costs of attendance. This assumption would have to be added to the proposed legislation or the legislative history to support a future regulation.



"I was both a student and a teacher at one of Georgia's private colleges, so I know firsthand the value of these schools to Georgia's citizens.

The HOPE Scholarship Program expands higher educational choices for all Georgians."

— Governor  
ZELL MILLER

## Eligible Georgia Private Colleges:

Agnes Scott College	Morehouse College
Andrew College	Morris Brown College
Art Institute of Atlanta	Oglethorpe University
Atlanta Christian College	Oxford College of Emory University
Atlanta College of Art	Paine College
Berry College	Piedmont College
Brenau University	Reinhardt College
Brewton-Parker College	Savannah College of Art
Clark Atlanta University	Shorter College
Covenant College	Spelman College
DeVry Institute of Technology	Thomas College
Emmanuel College	Toccoa Falls College
Emory University	Truett-McConnell College
Georgia Military College	Wesleyan College
Georgia Baptist College of Nursing	Young Harris College
LaGrange College	
Life College	
Mercer University	

# HOPE

It Pays To Get Your Education.

The HOPE Scholarship Program  
2082 East Exchange Place, Suite 100  
Tucker, GA 30084  
(770) 414-3085  
Or 1-800-546-HOPE

Internet address: <http://www.state.ga.us>

The HOPE Scholarship Program — *Helping Outstanding Pupils Educationally* — is funded by the Georgia Lottery for Education. Program details are subject to change.

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— HOPE —  
1996-97 Academic Year



# With HOPE, The Cost Of Private College. In Georgia Is Getting A Lot Lower.

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## How It Works.

### Qualifications:

Beginning with the 1996-97 academic year, if you wish to enroll in a degree program as an entering freshman at an eligible Georgia private college or university, you must meet the following qualifications:

- Be a Georgia resident.
- Be a 1996 or later high school graduate.
- Earn a 'B' average (*a 3.0 cumulative grade average on a 4.0 scale, or 80 numeric grade average, meeting the college preparatory track; if you are in any other curriculum track, you must have a 3.2 cumulative grade average on a 4.0 scale, or 85 numeric grade average*).

Students who graduate from high school in the year 2000 and thereafter will be required to earn a 'B' average in their core-curriculum subjects. Students must also graduate meeting the curriculum requirements in their program of study.

### Amount of HOPE Assistance:

Students may receive first-year HOPE assistance for the first 30 semester hours (*or 45 quarter hours*) at any eligible private college or university in the amount of \$3,000 per school year.

*HOPE scholarships may be applied only to tuition and mandatory fees not covered by Pell or other Federal grants you receive.*

In addition to the HOPE Scholarship, residents of Georgia who are full-time students (*12 hours*) may also receive the Georgia Tuition Equalization Grant (TEG) of \$1,000 per academic year.

## Scholarship Renewal:

You may renew the scholarship for your sophomore, junior, and senior years. To do so, you must:

- Maintain a 3.0 cumulative grade average.
- Reapply for the scholarship by completing the approved forms as designated by the financial aid office at the institution you attend.
- Be making satisfactory academic progress.
- Be a full-time student (*12 hours*).

## Second Chance Opportunity for Students to Re-enter HOPE:

HOPE is a reward for scholastic achievement and an incentive to continue working hard in school.

If you fall below a 3.0 average after attempting 30 semester hours (*or 45 quarter hours*), you may continue your sophomore year at your own expense.

Then, if you earn a cumulative 3.0 grade average at the end of your sophomore year (*60 attempted semester hours or 90 quarter hours*), you will be given a second chance to receive a HOPE scholarship for your junior year, with the opportunity to renew the scholarship for your senior year.

During your sophomore year, if you are a full-time student (*12 hours*), you will continue to receive the \$1,000 Georgia Tuition Equalization Grant.

## HOPE for Students Already in Private Colleges:

If you attended an eligible private college or university for at least one school term beginning summer 1995 through summer 1996 and received the HOPE grant in the amount of \$1,500 per academic year, you may be eligible to continue receiving this tuition assistance through spring 1999. If you do not meet this qualification, you may only be eligible for the Georgia Tuition Equalization Grant of \$1,000 per academic year. You must continue to be a full-time student (*12 hours*) making satisfactory academic progress.

## What To Do.

All HOPE applicants attending private colleges or universities must complete the Georgia Tuition Assistance Grant Application. You may also be required to complete the Free Application for Federal Student Aid (*FAFSA*) or the HOPE Alternate Application.

These applications are available at any eligible Georgia private college or university.

Ask the financial aid office at the institution you plan to attend for the necessary applications. Also, be sure to check for the deadline dates.

## Find Out More.

For more information, contact the HOPE Scholarship Program. Call toll-free 1-800-546-HOPE. In Metro Atlanta, call (770) 414-3085.

Be sure to contact the financial aid office at the institution you are planning to attend regarding information on tuition cost, residency determination, and coursework eligible for HOPE assistance.

— HOPE —  
1996-97 Academic Year

A Good  
Education  
Is Priceless.

But In  
Georgia  
It Doesn't  
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With  
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The Cost  
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"It has never been more important for our students to get a college education, but it has never been harder for families to pay for. The Lottery for Education has provided HOPE so Georgia families will be able to give their children the educational opportunities they must have to succeed in the 21st century."

— Governor  
ZELL MILLER

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# HOPE Eligible Institutions

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## Public:

Abraham Baldwin  
Agricultural College  
Albany State College  
Armstrong State College  
Atlanta Metropolitan College  
Augusta College  
Bainbridge College  
Brunswick College  
Clayton State College  
Columbus College  
Dalton College  
Darton College  
DeKalb College  
East Georgia College  
Floyd College  
Fort Valley State College  
Gainesville College  
Georgia College  
Georgia Southern University  
Georgia Southwestern  
College  
Georgia State University  
Georgia Institute of  
Technology  
Gordon College  
Kennesaw State College  
Macon College  
Medical College of Georgia  
Middle Georgia College  
North Georgia College  
Savannah State College  
South Georgia College  
Southern College of  
Technology  
University of Georgia  
Valdosta State University  
Waycross College  
West Georgia College

## Private:

Agnes Scott College  
Andrew College  
Art Institute of Atlanta  
Atlanta Christian College  
Atlanta College of Art  
Berry College  
Brenau University  
Brewton-Parker College  
Clark Atlanta University  
Covenant College  
DeVry Institute of Technology  
Emmanuel College  
Emory University  
Georgia Military College  
Georgia Baptist College  
of Nursing  
LaGrange College  
Life College  
Mercer University  
Morehouse College  
Morris Brown College  
Oglethorpe University  
Oxford College of Emory  
University  
Paine College  
Piedmont College  
Reinhardt College  
Savannah College of Art  
Shorter College  
Spelman College  
Thomas College  
Toccoa Falls College  
Truett-McConnell College  
Wesleyan College  
Young Harris College

## Technical:

Albany Technical Institute  
Altamaha Technical  
Institute  
Athens Technical Institute  
Atlanta Technical Institute  
Augusta Technical Institute  
Ben Hill-Irwin Technical  
Institute  
Carroll Technical Institute  
Chattahoochee Technical  
Institute  
Columbus Technical  
Institute  
Coosa Valley Technical  
Institute  
Dalton School of Health  
DeKalb Technical Institute  
Flint River Technical  
Institute  
Griffin Technical Institute  
Gwinnett Technical  
Institute  
Heart of Georgia Technical  
Institute  
Lanier Technical Institute  
Macon Technical Institute  
Middle Georgia Technical  
Institute  
Moultrie Technical Institute  
North Georgia Technical  
Institute  
North Metro Technical  
Institute  
Ogeechee Technical  
Institute  
Okfenokee Technical  
Institute

Pickens Technical Institute  
Sandersville Regional  
Technical Institute  
Savannah Technical Institute  
South Georgia Technical  
Institute  
Southeastern Technical  
Institute  
Swainsboro Technical  
Institute  
Thomas Technical Institute  
Valdosta Technical Institute  
Walker Technical Institute  
West Georgia Technical  
Institute

# HOPE Can Help You Get the Education You Want.

HOPE — *Helping Outstanding Pupils Educationally* — is Georgia's unique scholarship program that rewards students' hard work with financial assistance in degree, diploma, or certificate programs at any eligible Georgia public or private college, university, or technical institute. Since the program's establishment, nearly 200,000 Georgians have benefited from this program funded by the Georgia Lottery for Education.

You can benefit from HOPE in several ways. If you wish to enroll in a degree program at a Georgia public college or university, you may be eligible for financial assistance covering tuition, mandatory fees, and a book allowance. The HOPE Scholarship Program also provides an opportunity for students already in public college or those who wish to return to public college.

If you wish to enroll in a Georgia private college, you may be eligible for a \$3,000 annual scholarship for tuition and mandatory fees. You may also receive financial assistance for non-degree programs at any Georgia public technical institute. Other HOPE assistance is available for GED recipients.

This brochure will provide more details about the HOPE program to help you get started. For information about the HOPE Teacher Scholarship Program or the PROMISE Teacher Scholarship Program for teachers and individuals who want to teach in Georgia public schools, please contact the HOPE Scholarship Program.

## Here's How HOPE Can Help You.

### 1. HOPE for Students Attending a Georgia Public College or University.

If you wish to enroll in a degree program as an entering freshman at a Georgia public college or university, you must have the following qualifications:

- Be a Georgia resident.
- Be a 1993 or later high school graduate.
- Earn a 'B' average (a 3.0 cumulative grade average on a 4.0 scale, or 80 numeric grade average, meeting the college preparatory track; if you are in any other curriculum track, you must have a 3.2 cumulative grade average on a 4.0 scale, or 85 numeric grade average).

Students who graduate from high school in the year 2000 and thereafter will be required to earn a 'B' average in their core-curriculum subjects. Students must also graduate meeting the curriculum requirements in their program of study.

Students may receive first-year HOPE assistance for the first 45 credit hours attempted at any Georgia public college or university, which includes tuition, mandatory fees, and a book allowance up to \$100 per quarter. Full-time enrollment is not required.

*HOPE scholarships may be applied only to tuition and mandatory fees not covered by Pell or other Federal grants received.*

Students may renew the scholarship for their sophomore, junior, and senior years. To do so, you must:

- Maintain a 3.0 cumulative grade average.
- Reapply for the scholarship by completing the Free Application for Federal Student Aid (FAFSA) or, if applicable, the HOPE Alternate Application.
- Be making satisfactory academic progress.

### Second-Chance Opportunity for Students to Re-enter HOPE:

HOPE is a reward for scholastic achievement and an incentive to continue working hard in school. If after attempting 45 hours in a public college you fall below a 3.0, you may continue your sophomore year at your own expense. If you then earn a cumulative 3.0 grade average at the completion of your sophomore year (90 attempted hours), you will be given a second chance to receive a HOPE scholarship for your junior year with the opportunity to renew the scholarship for your senior year (135 attempted hours).

### HOPE for Students Already in Public College or Returning to Public College:

If you graduated from high school prior to the establishment of the HOPE program in 1993, or if you are not academically eligible for a HOPE scholarship immediately after high school graduation, you may be eligible for a HOPE scholarship after attempting 90 hours of study, if you obtain a cumulative 3.0 grade average for your first two years of study.

*NOTE: Students attending a Georgia public college or university who are seeking a diploma or certificate rather than a degree should refer to Section 2 below.*

## 2. HOPE for Students Attending a Georgia Public Technical Institute.

Georgia residents attending a Georgia public technical institute to earn a certificate or diploma are eligible for HOPE assistance regardless of high school graduation date or grade average. The HOPE Scholarship Program covers tuition, mandatory fees, and a book allowance up to \$100 per quarter.

*HOPE scholarships may be applied only to tuition and mandatory fees not covered by Pell or other Federal grants received.*

You may receive HOPE assistance for a total of two programs of study leading to a certificate or diploma. Full-time enrollment is not required, but the student must be making satisfactory academic progress to maintain eligibility.

*NOTE: Students seeking degrees at a Georgia technical institute must follow the qualifications for students seeking degrees at Georgia's public colleges or universities. Refer to Section 1.*

## 3. HOPE for Students Attending Private Colleges or Universities.

If you wish to enroll in a degree program as an entering freshman at a Georgia private college or university, you must have the following qualifications:

- Be a Georgia resident.
- Be a 1996 or later high school graduate.
- Earn a 'B' average (a 3.0 cumulative grade average on a 4.0 scale, or 80 numeric grade average, meeting the college preparatory track; if you are in any other curriculum track, you must have a 3.2 cumulative grade average on a 4.0 scale, or 85 numeric grade average).

Students who graduate from high school in the year 2000 and thereafter will be required to earn a 'B' average in their core-curriculum subjects. Students must also graduate meeting the curriculum requirements in their program of study.

Students may receive a HOPE scholarship in the amount of \$3,000 per academic school year for the first 30 semester hours attempted (45 quarter hours). Full-time enrollment is required. As a full-time student and a Georgia resident, you may also be eligible for an additional \$1,000 from the Georgia Tuition Equalization Grant.

*HOPE scholarships may be applied only to tuition and mandatory fees not covered by Pell or other Federal grants received.*

Students may renew the scholarship for their sophomore, junior, and senior years. To do so, you must:

- Maintain a 3.0 cumulative grade average.
- Reapply for the scholarship by completing the appropriate forms as designated by the financial aid office at the institution you attend.
- Be making satisfactory academic progress.

### Second-Chance Opportunity for Students to Re-enter HOPE:

HOPE is a reward for scholastic achievement and an incentive to continue working hard in school. If after attempting 30 semester hours (45 quarter hours) in a private college you fall below a 3.0, you may continue your sophomore year at your own expense. If you then earn a cumulative 3.0 grade average at the completion of your sophomore year (60 attempted semester hours or 90 quarter hours), you will be given a second chance to receive a HOPE scholarship for your junior year with the opportunity to renew the scholarship for your senior year (90 attempted semester hours or 135 quarter hours). As a Georgia resident and full-time student (12 hours), you may continue to receive the Georgia Tuition Equalization Grant in the amount of \$1,000 per academic school year.

### HOPE for Students Already Attending an Eligible Private College:

If you attended an eligible private college or university for at least one school term beginning summer 1995 through summer 1996 and received the HOPE grant in the amount of \$1,500 per academic year, you may be eligible to continue receiving this tuition assistance through spring 1999. If you do not meet this qualification, you may only be eligible for the Georgia Tuition Equalization Grant of \$1,000 per academic year. You must continue to be a full-time student (12 hours) making satisfactory academic progress.

For more information, see the 1996-97 HOPE brochure for private colleges.

## 4. HOPE for GED Recipients at Georgia Postsecondary Institutions.

Georgia residents who earned a General Education Development (*high school equivalency*) certificate awarded by the Georgia Department of Technical and Adult Education after June 30, 1993 may receive a one-time \$500 HOPE award. This can be used toward tuition, books, and other educational costs at an eligible public technical institute or public or private college or university in a degree, diploma, or certificate program.

Full-time enrollment is not required. Students must use their HOPE eligibility within 24 months of the date of the GED certificate. Military personnel have 52 months to exercise eligibility.

In addition to the \$500 award, GED recipients may also qualify for assistance through other components of HOPE.

## How to Apply for HOPE.

Just follow these steps:

- Students planning to attend a public technical institute, college, or university must complete the Free Application for Federal Student Aid (FAFSA) or, if applicable, the HOPE Alternate Application. The FAFSA is available from high school guidance offices, college financial aid offices, or technical institutes, and from the HOPE Scholarship Program. It is used to determine eligibility for Federal aid such as the Pell Grant.
- The FAFSA includes a section for the applicant to indicate which schools he or she is considering so the information can be sent to those schools. The student should then apply for admission at each school.
- Some colleges and technical institutes also require the student to complete the school's financial aid application. The financial aid office at the school will advise the student if this is necessary and of the deadline dates.
- 1996 high school graduates as entering freshmen attending eligible private colleges or universities must complete the Georgia Tuition Assistance Grant Application. You may also be required to complete the FAFSA or the HOPE Alternate Application. These forms are available at all eligible Georgia private colleges or universities.
- Renewal students attending an eligible private college or university must complete the Georgia Tuition Assistance Grant Application to continue receiving the HOPE grant and the Tuition Equalization Grant.

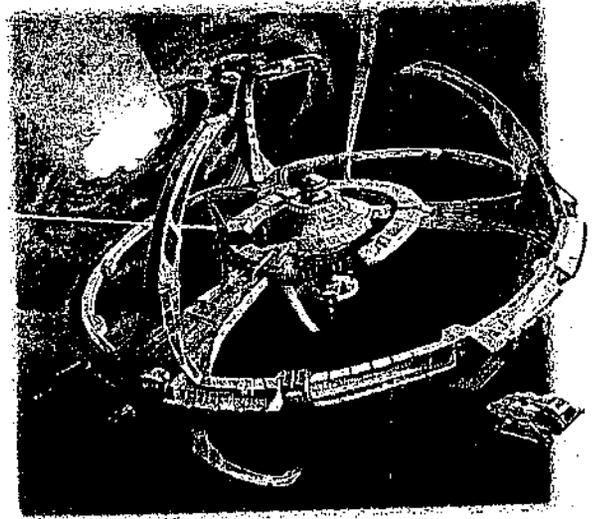
## How to Get Additional Information.

You may call the HOPE Scholarship Program for more information.

Call toll-free 1-800-546-HOPE. In Metro Atlanta, call (770) 414-3085.

The financial aid office at the postsecondary school can provide information on tuition costs, residency determination, and coursework eligible for HOPE assistance. Contact them directly.

— HOPE —  
In The New Millennium



# HOPE 2000

## For The High School Graduating Class Of 2000 And Beyond.

# HOPE

It Pays To Get Your Education.

The HOPE Scholarship Program  
2082 East Exchange Place, Suite 100  
Tucker, GA 30084  
(770) 414-3085  
Or 1-800-546-HOPE

Internet address: <http://www.state.ga.us>

The HOPE Scholarship Program - *Helping Outstanding Pupils Educationally* - is funded by the Georgia Lottery for Education. Program details are subject to change.

 Printed on recycled paper 3/96

# HOPE 2000

The year 2000. A new century. A new millennium. And you will be a member of the new millennium's first high school graduating class. And what will your plans be after graduation? Will you go to college or technical school to learn the skills that will give you career choices and help you get a better paying job? It probably seems a little early to be thinking about college. But there is a very important reason to plan ahead: the HOPE Scholarship.

Beginning with your high school graduating class, the Class of 2000, the eligibility requirements for a HOPE Scholarship will be based on the core-curriculum subjects: 4 units of English; 3 units of math; 3 units of science; 3 units of social studies; and, if you're earning a college preparatory diploma, 2 units of a foreign language. This will ensure that you are better prepared to succeed in college.

## What Is HOPE?

Helping Outstanding Pupils Educationally (HOPE) is Governor Zell Miller's educational program to reward students who have earned good grades by helping with the expense of continuing their education after they graduate from high school.

HOPE may be used at eligible public or private colleges and universities, and public technical institutes in Georgia. The program is funded by the Georgia Lottery for Education, which began in 1993.

HOPE will be there for you, too — if you start planning now.

## How Can HOPE Help You?

Continuing your education after high school can be expensive. But a HOPE Scholarship can help you with part of your costs. The amount you receive from HOPE depends on the type of school you choose to attend:



"Our great state is striding  
toward the new millennium...  
and the HOPE Scholarship  
will be there in the year 2000  
for every Georgia student  
who works hard to prepare  
for the future."

— Governor  
ZELL MILLER

- At a Georgia public college, university or technical institute, HOPE pays your tuition, mandatory fees, and a book allowance of up to \$100 per quarter. The HOPE Scholarship can only be applied toward tuition and mandatory fees not covered by Federal aid you may receive.

- At an eligible Georgia private college or university, a HOPE Scholarship will pay up to \$3,000 a year toward your tuition and mandatory fees. You may receive an additional \$1,000 from the Georgia Tuition Equalization Grant each year.

HOPE does not pay for everything. You may have other expenses such as additional costs for books, housing and meals, transportation, and personal expenses (*for example, clothing and medical treatment*). You and your parents will want to consider these costs when budgeting for your education.

## How Do You Get HOPE?

It's very important that you have good grades to be eligible for a HOPE Scholarship.

To earn a HOPE Scholarship, you must have a 'B' average. Only the core-curriculum classes you take in the 9th grade (*freshman year*) through the 12th grade (*senior year*) will be included in figuring your grade point average.

A student planning to earn a college preparatory diploma must also graduate meeting the curriculum requirements and have earned a 3.0 cumulative grade average on a 4.0 scale, or an 80 numeric grade average, in the core-curriculum subjects. If you plan to earn a vocational diploma, you must graduate meeting the curriculum requirements and have earned a 3.2 cumulative grade average on a 4.0 scale, or an 85 numeric grade average, in the core-curriculum subjects.

## What If You're Thinking About Going To A Technical Institute?

Not everyone graduating from high school wants to pursue a college degree. That is why HOPE assistance is also available for students who wish to continue their education by seeking a diploma or certificate at a Georgia public technical institute. Certificate and diploma programs are available in many skilled fields to provide students with the knowledge and technical skills necessary to be competitive in tomorrow's workforce.

## How Can You Prepare For The Future?

1. Work hard in school. Take challenging classes to prepare yourself for the future.
2. Develop good study habits.
3. Learn about Georgia's colleges, universities, and technical institutes and the programs they offer. Visit school campuses with your parents.
4. Start thinking about the direction you'd like to take in life.

And if you or your parents have any questions, call HOPE at (770) 414-3085 in Metro Atlanta, or toll-free 1-800-546-HOPE.

## Terms You Need To Know

### Certificate/Diploma:

A form of recognition awarded to a student after he or she satisfactorily completes a program of study offered by a postsecondary institution. A certificate may be earned in as little as six weeks, while a diploma may take as long as two years to complete. Earning a certificate or diploma can help when you apply for a job.

### Core-curriculum Subjects:

High school classes in math, science, social studies, English, and foreign languages. Many classes that students take in high school are not core-curriculum subjects (for example, physical education, art, band, home economics, and yearbook).

### Cumulative Grade Point Average:

The average of the grades you have earned for all the classes you have taken while in high school (or college). Many schools use a 4.0 grading scale in which an 'A' equals 4.0, a 'B' is a 3.0, and a 'C' is a 2.0. Beginning with the high school graduating class of 2000, only the grades earned in core-curriculum high school subjects will be counted in figuring your grade point average for HOPE eligibility.

### Curriculum Track:

The course of study in which a student graduates from high school, usually college preparatory or vocational studies. Each curriculum track has certain requirements as to the number of units of math, science, English, etc., that a student must take.

### Degree:

A form of recognition awarded to a student after satisfactorily completing a program of study offered by a postsecondary institution. An associate degree is awarded for a two-year program of undergraduate study; a bachelor's degree is awarded for a four-year program. Many jobs require a college degree.

### Financial Aid:

Money awarded to a student as a grant, scholarship, or educational loan to help pay for the cost of attending a postsecondary institution.

### Grant:

Financial aid that is awarded to a student based on certain eligibility requirements, such as financial need or enrollment at a particular institution. Unlike a loan, a grant doesn't have to be paid back. Grants may usually be renewed each year if the student meets certain standards.

### Mandatory Fees:

The amount of money that schools charge students to cover costs not associated with their classes, such as costs for some athletic activities, student activities, and health fees.

### Postsecondary Institution:

An institution of higher learning (beyond high school). This may be a public or private college, university, or technical institute offering degree programs, certificate programs, or diploma programs.

### Scholarship:

Financial aid that is awarded to a student in recognition of special achievement (high grades, athletics, performing arts, etc.). Unlike a loan, a scholarship does not have to be repaid. Scholarships may usually be renewed each year if the student meets certain standards. The HOPE Scholarship may be renewed if a student maintains a 3.0 ('B') cumulative grade point average in college.

### Tuition:

The amount of money schools charge students for instruction (what you pay to take classes there). Tuition rates vary from one institution to another.

**QUESTIONS AND ANSWERS  
AMERICA'S HOPE SCHOLARSHIPS**

**For Internal Use**

**1. Why are you making a new proposal now? What was wrong with your original one?**

The President has worked throughout his career and his administration to expand access to college. He put in place two new programs to make it easier to go to college (National Service and Direct Lending), increased Pell Grants, and proposed a \$10,000 deduction, honors scholarships for the top 5% of every high school class, and expanding work study to 1 million students over the next five years. Today, he is taking another important step that will help make two years of college as universal as four years of high school. The President is so determined to expand college opportunity that he is putting forward \$8 billion in new budget savings to pay for this new proposal.

**2. Aren't you just trying to pre-empt Senator Dole?**

We have no idea what Senator Dole plans to propose, if anything. The President is only interested in setting forth his vision for the country -- and giving more Americans the chance to go to college is central to that vision. He also believes that any tax cut must be targeted and paid for. We can't go back to the days of something for nothing.

**3. Isn't this just an election-year gimmick?**

The President is giving a series of commencement addresses on the challenges we face as we move into the next century: restoring the social fabric; keeping America the strongest force for freedom and democracy; promoting economic growth; strengthening the family. He came to Princeton today to give a serious, thoughtful speech that laid out his vision of how to promote economic growth and raise incomes.

**4. How are you going to pay for this?**

The Hope Scholarship Tax Credit costs \$25.1 billion over six years; the \$10,000 deduction now costs \$17.8 billion -- for a total of \$42.9 billion, an increase of \$7.9 billion over the proposal in the President's balanced budget plan. To offset those new costs, the Administration is proposing new budget savings: Auctioning radio spectrum (\$2.1b); increasing international departure tax (\$2.3b); reduction of sales source rule benefits (\$3.5b). The cost of the deduction is reduced largely because more people make use of the credit, and also by lowering the income limits to conform to the income limits on the Administration's expanded IRA proposal (i.e. from \$120,000 to \$100,000).

**5. Doesn't this trigger off in 2001?**

The President is committed to a permanent proposal to offer the America's Hope Scholarship tax cut. This new proposal is completely paid for with new offsets. Under OMB scoring, this new tax credit would be extended indefinitely. If Congressional Budget Office economic assumptions come into effect and there are less revenues to offset the tax cut, the Administration will put forward additional spending cuts for FY2001 and FY2002 to ensure both that the tax credit continues and that the budget stays in balance.

**6. Can you take both the credit and the deduction at the same time?**

The credit is \$1,500 per student. The deduction is \$10,000 per family. A family could use the deduction for one or more children and the credit for others. No single individual or family member, however, could use both the credit and the deduction for the same student.

**7. Isn't it strange that under your proposal a family in the 28% bracket with \$10,000 in tuition would get over \$2000 in tax cuts even without attaining a B average?**

The vast majority of families will choose the Hope Scholarship tax credit and find it far to their financial advantage. (The credit is estimated to cost \$25.1 billion; the deduction \$17.8 billion.) For example, for a family that makes \$45,000 and has tuition of \$2000, the credit would be worth \$1200 a year more than the deduction.

All families in the 28% bracket with tuition under \$5300 will find the credit to their advantage. And families with two or more children who are near the maximum will often find it to their advantage -- because they can take the credit for one child and the deduction for another.

**8. Why did you not apply the B average to the deduction?**

The President's \$10,000 deduction was designed to make a major statement for all education: investment in human capital should be given a tax deduction just as investment in physical capital is. The \$10,000 deduction is for families and it is for any type of education that contributes to one's career advancement -- college, graduate school, career training. The Hope Credit is a special tax credit designed to specifically encourage all Americans to see that two years of college must be a national norm, and it is designed to say to every state: if you offer tuition within \$300 of the national norm, you can now provide free community college tuition for all of your residents.

**9. Will this plan lead to grade inflation?**

So far, in Georgia, there is little if any evidence of that. In fact, many students have dropped off after the first years.

**10. This plan is supposed to be based on the Georgia plan, yet unlike Georgia, it does not require a B average in High School.**

**Isn't this a different model?**

The core of Georgia's plan is to expand access to college and challenge students to make the most of it. Like our plan, it requires students to maintain a B average in college in order to remain eligible.

Because they have made the bold decision to provide free tuition for four years of public college, they ask for a B average before making a student eligible for these extensive benefits.

The President's plan, gives everyone a chance for a start, and then like Georgia, requires a B average to maintain benefits. With this new federal partnership, the President's plan will make it more possible for more and more states to follow Georgia's move and provide four years of college tuition for those who perform at a B average.

THE WHITE HOUSE

Office of the Press Secretary  
(Princeton, New Jersey)

For Immediate Release

June 4, 1996

PRESS BRIEFING  
BY  
MIKE MCCURRY, GENE SPERLING  
BRUCE REED, AND GOVERNOR ZELL MILLER

Princeton University  
Princeton, New Jersey

10:10 A.M. EDT

MR. MCCURRY: Good morning, everybody. It's a pleasure to welcome you to the Chancellor Green Association where many, many, many nights I poured a beer right at that bar, back in the drinking days. What I'd like to do is have Gene Sperling and Bruce Reed, who you know well, tell you a little bit about the President's scholarship program. And then we're delighted to have with us Governor Zell Miller. The President invited Governor Miller to come with us today, given the importance that the Georgia HOPE Scholarship program played as an inspiration to the President's policymakers as we crafted the proposal that the President will announce today. He can tell you a little bit about the Georgia experience. Gene and Bruce can tell you more specifically about the proposal the President will make in his remarks this morning.

Gene, you want to start? We have the dynamic duo, and then the Governor.

MR. SPERLING: This was an idea that we started working on in October-November of '95. As we went into the balanced budget negotiations, we put it off for a while, obviously, to focus on the negotiations. But it's something that the President has wanted to do for a while.

The goal is that as we have now come to have a universal standard that every American should seek K through 12, 12 years of education, we wanted to stress the notion that 14 years of education, two years of college, should be considered the universal norm -- the minimum that people need in order to do well in the new economy. And so what we did was add to the President's \$10,000 education deduction a \$1,500 refundable tax credit for families up to \$100,000.

The \$1,500 refundable tax credit is available to any student in their first year, and then, in order to get it in your

MORE

second year, the student has to have received a B average in their first year. If they're a part-time student or half-time student, then whatever point the hit one year they would need to show that they have maintained a B average. That would be technically probably a B-minus average; it was scored at 2.75.

So that is the core proposal. It does -- the way that it -- I think that we tried to put the cost of it fairly clear there. The credit ends up being \$25.1 billion, but just to give you a very quick walk-through, just because I know it gets confusing -- our \$10,000 deduction, the number you've seen before, was \$41.2 billion. That was the seven-year number, from Fiscal Year '96 to 2002.

Obviously, Fiscal Year '96 is practically gone, so now all of the budget issues are being -- by both us and the Republicans -- are being scored from Fiscal Year '97 to 2002.

So our costs over six years would have been \$35 billion for the \$10,000 education deduction. By adding the -- by limiting the income cap from \$120,000 to \$100,000, that saved \$6.5 billion. And then there is another \$10.7 billion that is saved just because the credit is more attractive, so families with kids in their first two years will choose -- most families will choose the credit over the deduction. That still left the total costing \$43 billion over six, or \$42.9 billion over six, or \$7.9 billion more than was in our balanced budget.

And so the savings you see on the foreign source sale income, the radio auction and the international departure fee are the three paid-fors that come to \$7.9 billion. This was absolutely critical to us that anything that we put forward have specific paid-fors so that we stay within the balanced budget context for the year -- by the year 2002.

MR. REED: Before we take any questions, why don't we give Governor Miller a chance to speak, because he needs to go out to the ceremony.

GOVERNOR MILLER: I'll only take a minute, but I'm very pleased to be here as the President announces this very bold and this very far-reaching program. And I'm here to tell you that such a program will work because I have seen it work in a remarkable way in the state of Georgia where we have a HOPE Scholarship plan of our own. I think it's only fair since I borrowed the President's name of his birthplace for my program that now he is being able to take it back.

You know, we live in a time where it is more important for our students to get a college education than ever before. But we also live in a time where it's never been harder for families to pay for that education. Georgia parents, like parents all over this country, wanted their children to be able

to go to college, but they could not afford it until we had a HOPE Scholarship.

Now, in Georgia, to give you an idea, Georgia is the 10th largest state in the United States, but our university system is the fourth largest university system in the United States. We have record enrollments in our public colleges and record enrollments in our private colleges. We are being able because of this kind of scholarship to provide a skill and an educated work force. And that's what needed in these days and what will be needed for the 21st century.

I think it's a great program, and I applaud the President. And I applaud Gene and Bruce and all of those who worked on it because it is something, ladies and gentlemen, that will work. It's something that can make a difference in the lives of our citizen all over this country. I've seen it work in Georgia. I've seen more than -- soon we will have 200,000 students who have received the HOPE Scholarship. Many of those could not have gone to college without it.

Q Governor, could you tell us how long the program has been in effect there?

GOVERNOR MILLER: In Georgia it has been in effect since 1993. We have had three full school years.

Q How much, Governor, did it increase college attendance?

GOVERNOR MILLER: It almost doubled it in some places. In some places it tripled it. In south Georgia, only about nine percent of our high school graduates were going on to college. Now, in south Georgia, an area that's as big as a lot of states, nearly 25 percent are going on to the next two years or more of higher education.

Q How did you pay for it?

GOVERNOR MILLER: How did we pay for it? In Georgia we paid for it with a lottery. We put in a lottery and used the lottery proceeds to fund three programs: a pre-kindergarten program for four-year olds, this HOPE Scholarship program that The LA Times has called the most far-reaching in the nation, and then the third thing that we used lottery money for is technology in the classroom.

Q So you didn't have to -- (inaudible..)

GOVERNOR MILLER: No, we did not.

Another thing that it has done, it's enabled us to keep in Georgia our students. Instead of them going off to college somewhere else, they're staying in Georgia.

MORE

Q How much is the scholarship?

GOVERNOR MILLER: In Georgia it is the cost of tuition, plus a book allowance, plus the fees.

Q At a Georgia school?

GOVERNOR MILLER: At a Georgia public school, at a Georgia public college. If they decide to go to a private college, then we give them \$3,000 on their --

Q Governor, was this also an election-year proposal in Georgia?

GOVERNOR MILLER: What?

Q Was it an election-year proposal in Georgia?

GOVERNOR MILLER: Yes, it was.

Q -- at national level will you be glad to have the federal government take this over for you?

GOVERNOR MILLER: I am delighted that President Clinton wants to make this national in scope. I couldn't be more pleased.

Q What happens to your program, does it fade out or what?

GOVERNOR MILLER: No, it won't fade out, it will just enabled some Georgia students who cannot now take the benefit of our HOPE Scholarship program because they don't have a B average when they finish high school to be able to go the first year of college and show that they can get a B average the freshman year in college.

Q Could Georgia students get both benefits?

GOVERNOR MILLER: Possibly, yes.

Q You said in some areas nine percent attendance went up to 25 percent.

GOVERNOR MILLER: Went up to about 23.5 percent.

Q I thought you had said --

GOVERNOR MILLER: Well, in north Georgia, which includes the Atlanta area and our more populated area, there was a tremendous increase, I think about a 40 percent increase.

Q What I mean is, what about the 76 percent who still are not going on? I mean, is your goal, is it President Clinton's goal to get everybody to do two more years?

GOVERNOR MILLER: I think that would be the goal because I think all the studies show that the jobs that are going to be created in the future are going to require two years beyond high school in some kind of higher education. I applaud it. It's a very bold and far-reaching move.

Q Why did the materials that you handed out not have the income cap on it? It doesn't have anything about \$100,000 ceiling.

MR. SPERLING: My mistake. I mean, we just were --

Q -- you didn't just decide that for this morning?

MR. SPERLING: Yes. We were explicitly mentioning the \$100,000 lowering on the deduction because we were trying to explain -- make very clear to explain the savings. But this harmonizes the IRA and the deduction and the credit; they all phase out at \$100,000 -- \$50,000 to \$70,000 for an individual filer.

I just wanted to make a couple of things clear. The \$1,500 is applied towards any school you go your first two years, so it -- somebody at Princeton could apply; somebody at a community college. What we wanted to do is the national average for community colleges is \$1,200; at \$1,500, that's \$300 over, you're essentially saying to every state -- what we'd like to do is challenge every state to do what George has done, which is to use this to help them do something as bold as what George has done. But it at least says to every state, if you provide your tuition within \$300 of the national average, you could say to every person in your state that they can go to their first year of community college for free, tuition-wise free, and free for the second year if they maintain a B average in the first year.

So it can be applied towards public -- first-year, four-year public school, but we wanted to set a minimum that you're guaranteed at an average community college of having that tuition. And part of the reason it's important for families, as one of the charts we have in there show that the cost of college for a family has gone from nine percent in 1979 to 14 percent, '94. So it's becoming an increasing burden on families.

Our goal is the hope that states would supplement it and would use this extra help. In terms of the question to Governor Miller, the limit is on what you get from the federal government. We'd like states to supplement it and make their programs more ambitious.

Q Do all of these three payment methods -- the Spectrum sales, the sale source benefits and the -- those all require legislation, right?

MR. SPERLING: Oh, yes. These are new proposals that are not in our current balanced budget proposal. So we're not double dipping or double counting.

Q What is the auction -- who pays that money?

MR. SPERLING: I'm going to have to a little later get back -- I have OMB right now getting us more details on that. I apologize, I am not a particular expert on the details of auction, Spectrum auctions.

Q Is there a tax on cell phones or anything like that?

MR. SPERLING: We've got a lot here. Why don't I get some paper from OMB for you.

Q On the new tax for departure -- on the new departure tax, why should travelers have to pay new tax to support community college education?

MR. SPERLING: If you're serious about a balanced budget, if you're serious about keeping kind of fiscal integrity, you have to make priority choices. You have to -- there is no gain without a little pain somewhere.

Now, this is a kind of classic user fee. Right now people are able to use our public airports. These are people who are traveling abroad. They tend -- as Bruce is saying, it's below the international average. It tends to be higher income. So I think when you're making these types of choices, you want to be serious. You never like to do any of these things. You do them so that you can do more important things like promote education and still be in balance.

Q That these can conventionally -- that these airport departure fees have been used to pay for airports and runway upkeep and maintenance and unrelated measures?

MR. REED: It's general revenue.

MR. SPERLING: Money is fungible. You can --

Q The question was whether in the history of the United States airline departure fees, they're generally used for a related purpose. And it's an answerable question.

MR. SPERLING: That is true, but when you are -- but, Todd, when you are talking about balancing the budget, the funds that come in -- it is not -- you appropriate money from

appropriations. So I am saying that the money is fungible. I will get you the -- I will try to get exact background on whether there has ever been, but I do want to say, money is fungible and --

Q -- restoration of the sales tax -- I mean, the departure tax that has now expired?

MR. SPERLING: It's a restoration, but -- no -- but this then increases for international from six to 16.

Q The three measures that you have listed only deal with the extra, what, \$7-point-something billion necessary to cover this. Were there other measures for the remaining \$35-plus for any --

MR. SPERLING: Yes, let me just try -- I was trying to explain it before. The \$35 billion was part of the balanced budget plan that was scored by CBO. So when we added this program -- one of the reasons why we were held up last night was it's the -- the complicated thing was Treasury figuring out what the interactions were going to be.

So the big question was, how much was this going to lower the deduction. Because for the average family making \$50,000 and sending their kid to school at \$3,000 average tuition, the \$1,500 tax credit is by three or four times more generous than the tax deduction. So as all those families choose the tax credit, they aren't using the tax deduction. So the cost of our tax deduction went down by \$10.7 billion. Then we lowered the income cap from \$120,000 to \$100,000. That was \$6.6 billion -- or \$6.5 billion. So when you add those together, you get about \$17.2 billion. Then you add -- that leaves you \$7.9 billion under budget. So we had to come up with that to stay in balance.

Q Are there other identifiable -- easily identifiable offsets for the original tax deduction?

MR. SPERLING: No. I mean, it's just part of the overall balance. It was just a part of the overall balanced budget plan that CBO scored.

Q There's a report in the Wall Street Journal today that as of last night there was still a bitter fight in the White House over this proposal and that there was --

MR. SPERLING: We are so good -- we put this whole thing together at 2:00 a.m. No, we -- this was a proposal we were doing, everybody had agreed on. There was some uncertainty because we wanted to be very committed to making sure we had enough to pay for. You know, there was some -- as we were running the numbers, we had to figure out exactly which paid-

fors that we wanted to use. But everybody was very, very committed to the idea that we would pay for anything --

MR. REED: Gene was going to be up late anyway.  
(Laughter.)

Q Gene, is the tax credit limited to the amount of the tuition? Suppose you live in California, you only get \$363, is that right?

MR. SPERLING: It's limited to the amount of the tuition. But that's for community college. For the people at UCLA, at Southern Cal, all of them would get the full \$1,500. It's what -- it covers up to the amount of tuition for that year, but not more than tuition.

Q How come you define drug-free in here as freedom from felony drug convictions?

MR. REED: That's the standard that's applied for other federal financial aid. It's also the standard in the Georgia program and the Arkansas program.

Q Do you have any evidence that tuition costs are an impediment to people going to community college?

MR. SPERLING: Well, I mean, there's no question that anything that has a price that's higher is going to be -- there's going to be some price sensitivity to that. I think that you see this in several ways. One, we want to lower the burden on families for doing the right thing, sending their kids to school. As we said, it's now 14 percent of their income. Secondly, I think the cost of tuition, what it does for a lot of people is it makes it difficult to engage in a full-time study or a half-time study. So I think there is a lot of evidence to say that as the costs are high, people have to work more, and it's harder for them to focus on their study.

When we did the \$10,000 deduction, we found that there was some number of several hundred thousand more who would come. But it's always difficult because, unlike people buying a car, this is something they buy a little bit at a time. But there's certainly reason to believe -- but what there is a lot of evidence on is that a lot of times people don't even understand the current financial aid structure. And what Gary Orr feels -- he's at Harvard now, he used to be at University of Chicago -- said was that people's misperceptions about the burdens of college was as much a -- their misperceptions about how much it was going to cost them or financial aid was a big obstacle.

So one of the important things about having the President of the United States go out and say this is not only the tax credit, but when you give the message that there's guaranteed access and you communicate that message, that itself,

based on a lot of the literature, would do a lot of good in getting people to go to college.

Q Why wouldn't this cause a lot of states to raise their tuition -- I mean, their average tuition of a community college to \$1,500 since you're going to -- that's the cap?

MR. SPERLING: There's a theory -- since one for a public school -- the public schools are usually over \$1,500. A lot of the community colleges are right around that amount. A lot of the community colleges have a large number of part-time students, so they have a whole group of consumers who would not necessarily be getting this credit who would be watching the cost.

Also, our hope is that as we publicize the state-by-state charts and people see that the average cost is \$1,200 that there might be a certain public pressure the other way on citizens ask why a community college in their state is so much above the national norm. For 33 states the students there would have the tuition free, essentially free. And I think our hope is that the citizens of the other states will ask why they're not closer to the national average as well.

Q Was there any thought given or look at the effect that this corporate tax increase or the removal of this exemption on corporations would have on exports? Because as I read the fact sheet, it looks like this tax break was given to companies to encourage exports. And now you're taking it away from them.

MR. SPERLING: Well, it was both Larry Summers and Les Samuels' strong feeling that this was much more in the area of an inappropriate loophole or a shelter. There is still -- it does not get rid of the whole benefit, it lowers it to half. And their feeling was that there was inappropriate use of the foreign tax credits to not pay U.S. income. So this was something that, as I said, both Larry Summers and Les Samuels thought was very good policy. Both of them are enormously sensitive to the issues of tax incentives for exports.

Q Could you explain that procedure, how that works --

Q In addition to the whole program together, all of these tax initiatives equal about \$107.6 billion, is that right? If you take everything that is in his balanced budget proposal plus what he's offering here?

MR. SPERLING: My memory is that because we'd added a few things in the last proposal, such as the expensing, that the gross number was \$117 billion. This would be adding about \$8

billion to that. So I'd say the overall gross total over seven years would be \$125 billion now.

The Middle Class Bill of Rights, however, the three core ones were \$107 billion under our scoring and a little less under CBO. That was under seven years -- and I'm sorry, we're all going through the same thing you are, trying to change all the numbers to six years. It's not easy.

Q Gene, at what point would it become more advantageous for a family -- at what income level, to take the deduction instead of the credit?

MR. SPERLING: The circumstances -- it's not as clear of an issue because the thing -- this is an interesting point. The \$10,000 deduction, that's the family limit for the deduction. But the credit if you have three children who are all in their first year or doing -- you can get at the same time. So a family, even an upper-income family -- let me just give you an example. If you have a child that was at \$10,000 and you were in the 28 percent bracket, you might say this doesn't matter to me. But if you had one child who was at Princeton and borrowing all \$10,000, and your next child starts their first year, you can't deduct that. You've already maxed out at that \$10,000. But if your child would get \$1,500, if they've got a B average, they'd get the \$1,500. So even for the families in the \$70,000, \$80,000 range that have two children, it could benefit.

But the general question is, if you had just one child, it would be a family that was making between -- depending on their deductions -- but \$60,000 and \$90,000 that had around \$6,000 of tuition might generally prefer the deduction. So pretty much somebody sending their kid to private school probably, near the upper cap, would prefer the deduction.

Q Could you double-check on initial participation, the only requirement is being accepted at an accredited college?

MR. SPERLING: We had a lot of discussion about this and I'll tell you why the President decided this. The President felt that if you were saying that for the country as a whole it is good for economic growth for everybody to go 13th and 14th year, that you don't -- that while you can understand in Georgia where you are offering such a generous benefit, four years tuition, why they have to have some limitations, but what he wanted to say is part -- when you go from -- when the country went from 10th grade to 12th grade they were saying to everybody, no matter what kind of a student you are, no matter who you are, you should go to 12th grade. So the President wanted to say to everybody, you should try a year of college.

But because he wanted to have the responsibility message in there, he wanted to be, while we give everybody a

chance, everybody gets a chance, he felt that the second year you would have to earn. Now, somebody who doesn't earn it still gets the tax deduction, they're still eligible for Pell Grants. But for this specific credit it was an incentive to get everybody to go that first year, but also an incentive to perform.

That really goes, I think, to the heart of the speech a lot. The President is laying out his alternative, his growth strategy. He is saying this is what his strategy for growing the economy is, this is what he would like to do in the future. And he is saying that going to 13th and 14th grade, making that a minimum, is not just good for a personal family's fortunes, it is good for the economic growth of the country, and that the combination of maintaining a deficit reduction and a balanced budget path and a serious effort to get more people having the higher skills -- because when the country as a whole has more collective skills, that means that companies that have higher value-added production are more likely to locate here because they can find the workers they need. So it's not only good for families, it's good for growth for the whole country.

Q You may have already answered this, but after the Middle Class Bill of Rights, what happened to actual legislation of the \$10,000 tax deduction?

MR. SPERLING: We sent that up, it has been included in our balanced budget that was voted on. It also was included in the -- when Daschle had their own version it was also included.

Q At the time of the Middle Class Bill of Rights were there actual legislation sent to the Hill?

MR. SPERLING: The President first proposed, as you remember, on December 15, 1994, in an Oval Office address. Shortly after that, my recollection was that Senator Daschle and Congressman Gephardt did put up legislation on it, and then they repeated that legislation in their balanced budget proposals, as well as ours that was voted on in the Senate.

That, by the way, I believe -- when they proposed it I believe it did have the \$100,000 cap. So while we're changing ours from \$120,000 to \$100,000, we're being consistent with how the congressional Democrats had proposed our --

Q Is there any evidence that one or two years of additional college raises incomes?

MR. SPERLING: I think that's a very important part of this speech. There's a chart from the Census Bureau in your packet, on page 13 and 14, which spells out exactly how much of a difference this makes. And just so you know, the Census Bureau estimated that for a high school graduate, average lifetime incomes are about \$800,000. For someone who goes on and gets

some college, it's upwards of \$1 million. For a college graduate it's even more than that.

So we think this is very important to raising incomes over the long-term.

I just wanted to say, in addition to the Census, right behind that are the citations from the academic studies that show five to 15 percent per year, even for community college in the increase in earnings for higher education.

Q -- talk about community college, this credit is eligible for any tuition? It could be private or anything?

MR. SPERLING: Yes. Absolutely, it is for everybody. It was priced, though, to ensure a minimum.

Q You talk about wanting to lower the burden on families that are doing the right thing. Why not provide this type of tax cut to families who send their kids to K through 12 who are trying to prepare to go on? And the second thing, why shouldn't the Republicans view this as just an election-year gimmick?

MR. SPERLING: Well, the President has been devoted to education his whole life. And the other thing that you can see is that he had a program very similar to this in Arkansas that is described. So I think his bona fides and credentials on dedication to this are really without question. And the fact is we would have proposed this probably in the fall of '95 had we not gotten into the balanced budget negotiations.

What was your first question?

Q -- try to help middle income families put their kids through school, why not help parents who have kids K through 12?

MR. SPERLING: It's pretty rare that you hear a tax cut proposal that doesn't sound nice. All these things would be good. It's just like why not buy --

MR. REED: That's not the question he's asking.

Q Why grades 13 and 14 and not K through 12?

MR. SPERLING: Why do we not provide a federal tax incentive for K through 12? The President feels that from the federal level, using the tax code to encourage higher education, that is where the evidence -- that is where the dramatic evidence is that there is higher earnings for the country, higher earnings for families. And when you're -- we inherited a bad situation and we have to be very targeted and very limited in the tax incentives that we give because we have to pay for everyone. And

I'll tell you, it was not easy coming up even with the extra \$8 billion when things are as tight as they are now.

So it's just a matter of prioritization. The President is making higher education a key priority in his economic growth agenda.

Q Why shouldn't we believe that all of this is simply the result of all the talk among Dole's advisors that he's going to come forward with another tax cut and that Clinton is simply trying to preempt Dole?

MR. MCCURRY: Because the White House has absolutely no idea what proposals, if any, Senator Dole will make. We remain committed to expanding college opportunities. We've been working on this for some time, as you just heard from your briefers. And the President believes this is a good idea.

The last question.

Q I just wanted to clarify the definition of refundable tax credit. That is a deduction from taxes owed, right, so that if you owe less than \$1,500, you get back the remainder?

MR. SPERLING: I mean, that's right. I mean, just generally, a deduction -- you get to deduct \$2,000 from the amount of income that is subject. So if you were going to have \$30,000 taxed at 15 percent and you had a \$2,000 deduction, you'd have \$28,000. So you'd save \$300. But when you have a \$1,500 credit, you actually take \$1,500 -- you figure your tax bill and then you just minus \$1,500. If you only owed \$1,000 in taxes and you had a \$1,500 refundable credit, just like you get a refund or -- I just got a refund from the IRS -- you would get a \$500 refund on that credit.

MR. MCCURRY: Okay, I need to let these guys go. Do you have any other subjects?

Q Even though we don't know exactly what Dole's going to propose, assuming that perhaps he proposes an across-the-board rate cut, why is this targeted approach, in your minds, superior to that? Are there other investments people could make, particularly if they had money back in their pockets?

MR. SPERLING: I think it goes back to prioritization. Anything we do has to be paid for, it has to be paid for. We already have \$175 billion in Medicare and Medicaid saving. We have serious welfare savings. We have a very serious discretionary savings. We have pushed very hard. Anything we do comes with some pain in terms of spending cuts or raising revenues. So if you're committed to balancing the budget, you've got to make those tough choices. And so, for us, this is the choice that the President made. Higher education is key to

economic growth, and that's worth the priority. And that's where he's coming down.

MR. MCCURRY: The other obvious point is that an across-the-board tax cut would cost hundreds of billions of dollars. The only way to pay for that -- because the President believes you have to pay for these proposals as you go -- would be huge cuts in Medicare and other social insurance programs that are necessary for the American people.

If Senator Dole is coming forward now in favor of across-the-board tax cut that could cost hundreds of billions of dollars, he will most likely also have to propose devastating cuts in Medicare and other programs, or diviserating our national defense, because we would assume that he would be consistent with his solid record of supporting pay-as-you-go tax cuts.

Q Can you explain these high-paying programs?

MR. MCCURRY: If we can get some additional information on that.

Is there any other subjects that we need to cover this morning?

Q Can you say a few words about the Japanese destroyer?

MR. MCCURRY: The President overnight got a written report on the incident involving the shutdown of the A-6. He was gratified to hear that the pilots were safely returned to the Intrepid and he accepts the gracious expression of regret by the Japanese government.

Q Wasn't it the Independence?

MR. MCCURRY: Oh, I'm sorry -- the Independence. The Intrepid was involved in the last encounter with the Japanese. (Laughter.)

Q The President accepts what, the gracious --

MR. MCCURRY: The gracious expression of regret extended by the Japanese government.

Any other subjects? Okay. We'll be around after the speech.

THE PRESS: Thank you.

END

10:45 A.M. EDT

## **Georgia HOPE Scholarships**

The Georgia HOPE program, established in 1993, provides full tuition, fees, and books at any in-state public college to any Georgia student who graduates from high school with a B average (3.0) or better in the state's core-curriculum subjects (English, math, science, and social studies). Students who maintain a B average in college and stay off drugs can continue to receive the same level of support for up to four years. Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up.

The program also provides a Second Chance Opportunity for students who don't meet the academic requirements out of high school. Anyone who obtains a 3.0 GPA for their first two years of college can get a HOPE scholarship for their junior and senior years. Students with any high school grade point average can get a HOPE scholarship to attend any public technical institute, full- or part-time. Students with a GED can get a one-time \$500 award.

Since 1993, nearly 200,000 Georgia students have received some form of HOPE scholarship. The program is open to students without regard to family income. The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black). A recent evaluation of HOPE scholarship recipients at public colleges found that 84% of HOPE students who enrolled in Fall 1994 were still in college in Fall 1995, versus 74% of all students.

BR,

Memorandum to Bruce Reed

From: Rob Shapiro  
Re: Helping Kids Go to College  
Date: May 31, 1996

What's wrong w/ this.

Don

As we discussed, it is very difficult to design an effective tax deduction or credit for higher education. A tax-based approach is notoriously inefficient, because it is so hard to target it to those who would need it most and virtually impossible to exclude those who don't need it at all. More important, over time market forces in higher education will capitalize part or even most of the value of the tax support into higher tuition prices, limiting the ability of such an approach to permanently expand access to higher education.

As I mentioned, the Georgia HOPE program may offer a better model. In response to a question some time ago from James Carville, I had Steve Tidrick and other staff analyze what it would take to provide Georgia-HOPE support to every qualified high school graduate. Very briefly, here's what we found.

Georgia HOPE provides full tuition, mandatory fees and a book allowance to any Georgia student graduating high school with a B average or higher (3.0 or higher) to attend an in-state public college. Students who maintain a B average in college continue to receive the same level of support for up to four years; those whose grade fall below 3.0 are allowed one chance to maintain their support by bring up their average. Originally, assistance was limited to students in families with annual incomes of \$65,000 or less; this cap was lifted to \$100,000 in 1994 and eliminated in 1995.

The program also provides state high school graduates with any grade point average support covering tuition, mandatory fees and books at any public technical institute. Finally, Georgia high school graduates, regardless of grade-point average, receive an annual stipend of \$1,500 if they attend a private university in state.

The federal government could provide the first part of the guarantee—tuition, fees, and book allowance to any American teen who graduates high school with a B average or above, attends an in-state college or university, and maintains a B average, for roughly \$9.5 billion a year. This estimate covers attendance at both two-year and four-year institutions. In practice, the actual cost could be less: We assumed that the program would expand enrollments at state institutions by 10 percent and increase tuition and fees by 10 percent, and we did not net out any current federal assistance. However, this estimate does not cover support for kids attending technical schools.

If our detailed technical and political analysis of this approach would be useful, let me know.

EXECUTIVE OFFICE OF THE PRESIDENT

01-Jun-1996 09:28pm

TO: Bruce N. Reed

FROM: Jason S. Goldberg  
National Economic Council

SUBJECT: Sentence on 70 percent

"This year, HOPE assisted more than 80,000 Georgia students at 4 year colleges, community colleges, and technical institutes. At the University of Georgia, for example, 70 percent of the freshman class this year were helped by HOPE scholarships. That's a tax cut that has truly given hope to thousands of Georgia students. And its time we gave a similar tax cut to every student in America who can make the grade."

# **HOPE SCHOLARSHIP TAX CUT**

Draft -- Draft -- Draft -- Draft

# DRAFT PAPER FOR HOPE SCHOLARSHIP TAX CUT

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## HOPE SCHOLARSHIP TAX CUT

**TODAY, PRESIDENT CLINTON ANNOUNCES HOPE SCHOLARSHIP TAX CUT TO MAKE 14 YEARS OF EDUCATION -- AT LEAST TWO YEARS OF COLLEGE -- THE STANDARD FOR ALL AMERICANS.** Building on his comprehensive program to ensure that all Americans have guaranteed access to college education at any time in their life, the President made clear that 2 years of college should be as universal as high school. To further this guarantee, the President announced the following proposals:

- **Hope Scholarship Tax Cut -- Guaranteed Tuition at Average Community College for Any High School Student who Maintains a B Average:** Modeled on the successful Georgia Hope Scholarship program, this new proposal provides a refundable tax credit that ensures that any American student who works hard and gets a B average will have a \$1500 tax credit for full-time school (\$750 for half-time) that will pay the full cost of tuition at average priced community colleges -- and a downpayment at more expensive four years schools.
- **\$10,000 Tax Deduction for all Education and Training:** In addition, the President maintains his \$10,000 tax deduction so that families can get up to \$1500 in tax savings for their families for all education -- college, graduate school, community college, certified training and technical programs.
- **Scholarship Increases (Pell Grants) for Lower-Income Students:** The President announced that his seven year balanced budget plan will include increases in Pell Grants in each of his balanced budget plan's seven years. Indeed, the maximum Pell Grant award will increase by 33% from FY95 to FY2002.

### **BUILDS ON PRESIDENT'S PLAN FOR GUARANTEED ACCESS TO COLLEGE:**

The above initiatives build on the President's plan that give every person -- through loans with pay-as-you-can repayment, grants, scholarships, tax deductions and tax credits -- guaranteed access to college. Through the new loan program passed in the 1993 Economic plan, and the continuing strengthening and support of the Pell Grant, all students have guaranteed access to education, with \$ \_\_\_\_\_ per year guaranteed of loans and grants. The President's Direct Lending program allows millions of students to borrow in a simpler, less bureaucratic means, and pay back in the most flexible means possible -- through pay-as-you-can loans.

- **New Direct Loans with Pay-As-You Can Loans:** 50% of loans now in program.
- **National Service -- Americorps:** 25,000 students earn up to \$5000 for service
- **Pell Grants:** Eliminate \$2 billion deficit, call for seven year expansion
- **\$10,000 Education Deduction:** 16 million taxpayers get deduction for education.
- **Work Study Expansion:** Expand to 1 million participants by FY2002
- **Honor Scholarships:** \$1000 scholarship for top 5% of graduating class
- **IRA for Education:** New proposal allows penalty free withdrawals for education

## BACKGROUND ON HOPE SCHOLARSHIP TAX CUT:

Currently, millions of Americans have access to college through Pell Grants and Guaranteed Loan program, including the President's new Direct Lending Proposal.

- **Guaranteed Average Cost of 2 Years of Community College:** Between Pell Grants and the tax credit, the HOPE Scholarship tax cut will ensure that any student who maintained a B average in high school would get a \$1500 tax credit for tuition. This is \$300 above the national average costs for community colleges and would today allow students to attain free tuition for community college in 34 states, covering 67% of all students. This tax cut would allow every state -- who offered tuition within \$300 of the national average -- the chance to offer every student in their state with a B average 2 years of free tuition at community college.
- **\$1500 For Any College for First Two Years:** While the HOPE Scholarship tax cut is priced to pay for the full cost of two years of tuition for community college for students who meet a "B" average, the \$1500 college can be applied for tuition at any college, from a two year public community college to a four year private college. This \$1500 tax credit can be a substantial downpayment for parents sending their children to colleges with higher tuition.
- **\$750 for Half-Time Students:** The Hope Scholarship Tax Cut is designed to ensure that parents or current workers who want to further their education can also participate. Those who meet the B average requirement but can only go half-time because of working or parenting obligations, can go half-time and get \$750 credit per year until they have completed two full years of college.
- **Eligibility for 1 Year Certificate Programs:** Students who met the "B" average would be eligible for selected training and technical programs that meet the Title IV test for Pell grant eligibility.
- **Costs:** The Hope Scholarship Tax Cut is designed to fit within the parameters of the President's balanced budget plan. To pay for the credit, the \$10,000 deduction is targeted in a way that makes the plan more fair. The income limits for the \$10,000 deduction were lowered from \$100,000 (phased out at \$120,000) to \$80,000 (phased out at \$100,000), and the deduction is now set at a flat 15% rate for people in all income brackets. This targeted approach ensures that the \$10,000 deduction provides the same \$1,500 tax cut to a family whether its income is \$45,000 or \$80,000.

These savings allow the new tax proposal to stay within the President's balanced budget plan. The President' initial proposal for a \$10,000 deduction costs \$35 billion over six years. With the savings from the two adjustments mentioned above, the current proposal would also cost \$35 billion from FY97-FY2002.

● **B Average:** A "B" average would count only academic subjects that are part of a state's core curriculum. The scoring assumes a 2.75 average threshold, so that states would be allowed to make adjustments that would not deter students from taking harder honor courses. Based on 1992 National Educational Longitudinal Study (NELS), 58% of students in college currently had at least a 2.75 or B minus average in high school. As the Hope Scholarship Tax Cut is designed to encourage more students to work hard to get a B average in high school, the scoring assumes that 68% will achieve this grade point average by FY2002. As states are moving more and more to high performance academic standards, there should be minimal concern over intentional grade inflation which would fly against the high standards movement that has bipartisan national support.

● **Second Chances:** The Hope Scholarship Tax Cut offers two second chances; First, students who did not attain a B average in high school but do so in their first year of college, would be eligible for the Tax Cut in their second year. Second, states that accept the President's challenge to develop a high standard graduation test, could offer passage of this high standards exam as an alternative test for eligibility.

● **Current Workers:** The Hope Scholarship Tax Cut is designed to offer an incentive to perform in high school for current and future high school students. Individuals who are 25 years or older will be eligible regardless of their academic record in high school. The B average will be a requirement for all those who graduate after June 1997.

● **Administration:** Tax deductions and tax credits are traditionally taken on ones tax form for the April 15 deadline. The Treasury Department and the Department of Education will seek to work with members of Congress, Governors, school superintendents, and college financial aid administrators to design a system that allows the tax credit to be given directly to the school, once it could certify an eligible student was enrolling full-time or half-time. These and several other administration issues will require consultation with states and schools to ensure that rather than top-down administration, this plan provides maximum flexibility and efficiency and local control.

● **Tuition Increase Abuse Limitation:** To ensure that states do not raise tuition to excessive rates to take advantage of this program, the Department of Education would have the power to suspend a state from the program if they were excessively hiking tuition. While each case would have to be considered differently, no state would be suspended unless they raised tuition an average of 10% annually over two years.

## BACKGROUND ON PELL GRANT INCREASE

The Pell Grant is the main federal scholarship that allows millions of low-income and middle class families to have access to college. Despite the fact, that the President's budget calls for nearly \$300 billion in discretionary cuts over 7 years, the President's balanced budget builds in a 33% increase for the Pell Grants Awards from FY1995 to FY2002.

**Restored Fiscal Integrity:** In the first two years, the Clinton Administration restored the fiscal integrity of the Pell grant program by eliminating the projected \$2 billion internal program deficit within two years.

**Record Increase in FY1997:** The President's fiscal year 1997 budget calls for funding to support a \$2700 maximum Pell -- a near 10% increase over the current level -- which would provide more than 3.7 million students with Pell Grants averaging \$1,700. This proposed increase in the maximum Pell Grant Award would be the largest increase in the programs 25 year history.

**President Announces Yearly Pell Grant Increases:** The President today released the Administration's seven year increase totals.

FY95	\$2,340
FY96	\$2,470
FY97	\$2,700
FY98	\$2,780
FY99	\$2,860
FY2000	\$2,940
FY2001	\$3,030
FY2002	\$3,120

**Presidents 7 Year Pell Grant Increase Could Help 2.7 Million More Grants than Republican Budget Resolutions:** Both the House and Senate FY1997 Budget Resolutions call for freezing the budget authority for the Pell Grant program from FY97 -FY2002. This means that the President's balanced budget would allow 2.7 million more Pell Grant recipients from FY97-2002 and 191,000 more in FY1997 alone. If the Republicans chose to allow all of these additional Pell recipients to be covered, they would have to cut the real value of the maximum Pell Grant award by 25% by FY2002.

## **\$10,000 EDUCATION DEDUCTION:**

- **Breadth of Application:** The \$10,000 Education Deduction would be for every taxpayer for any education or training program, that is at least half-time or is career related.
- **Supplements Hope Scholarship Tax Cut:** Families that relied on the \$1500 Hope Scholarship Tax Cut in the first two years of college would still be eligible for the \$10,000 deduction the remaining years of college or graduate school or for qualified lifelong learning. Families that were not eligible would still be eligible for the \$10,000 deduction.
- **Income Limits:** The \$10,000 deduction would be limited to 15% deduction, to ensure that all families are treated equally in getting this deduction. Joint filers would be eligible for the full 15% deduction up to \$80,000 and phase-out at \$100,000. Single filers would be eligible up to \$50,000 income and phase-out at \$70,000. The deduction would be limited to 15% for all filers.
- **Unlimited Number of Years:** While the Hope Scholarship Tax Cut is for the first two years of college, the \$10,000 tax deduction is available any year a family had education income. For example, a family that had five years with \$10,000 tuition expense would get a total of \$7,500 tax cut over that five year period.

# UNDER PRESIDENT CLINTON, ACCESS TO COLLEGE IS GUARANTEED

June 2, 1996

With enactment of the student loan reforms in 1993, President Clinton has guaranteed that every American has access to college and that it will be affordable. Through a combination of grants and loans, every student can now go to college without fear of being unable to repay their loans because Direct Lending allows students to repay their loans as a share of their income. Income contingent loans enable students to pursue community service jobs after graduation, and the President's AmeriCorps National Service program has enabled 45,000 young people to serve their communities while earning money for college.

**Grants.** Pell Grants provide students from low-income families or middle-class families with several students in college with awards that -- like the proposed HOPE Scholarships -- do not need to be paid back. All students eligible students are guaranteed a Pell Grant. A student from a family of four with one child in college and an income of \$26,000 or less is eligible for the maximum Pell Grant award of \$2,470. If the family has an income of \$32,000, the student receives \$1,500.

**Loans.** All students are eligible for student loans up to \$2,625 in their first year and \$23,000 over five years. The loans are subsidized depending on family income and other aid. If additional loans are required, the student's parents may take out a PLUS loan. Schools decide whether to participate in President Clinton's Direct Student Loan Program or the traditional Guaranteed Student Loan program. In 1996, Direct Loans will account for nearly half of all student loans.

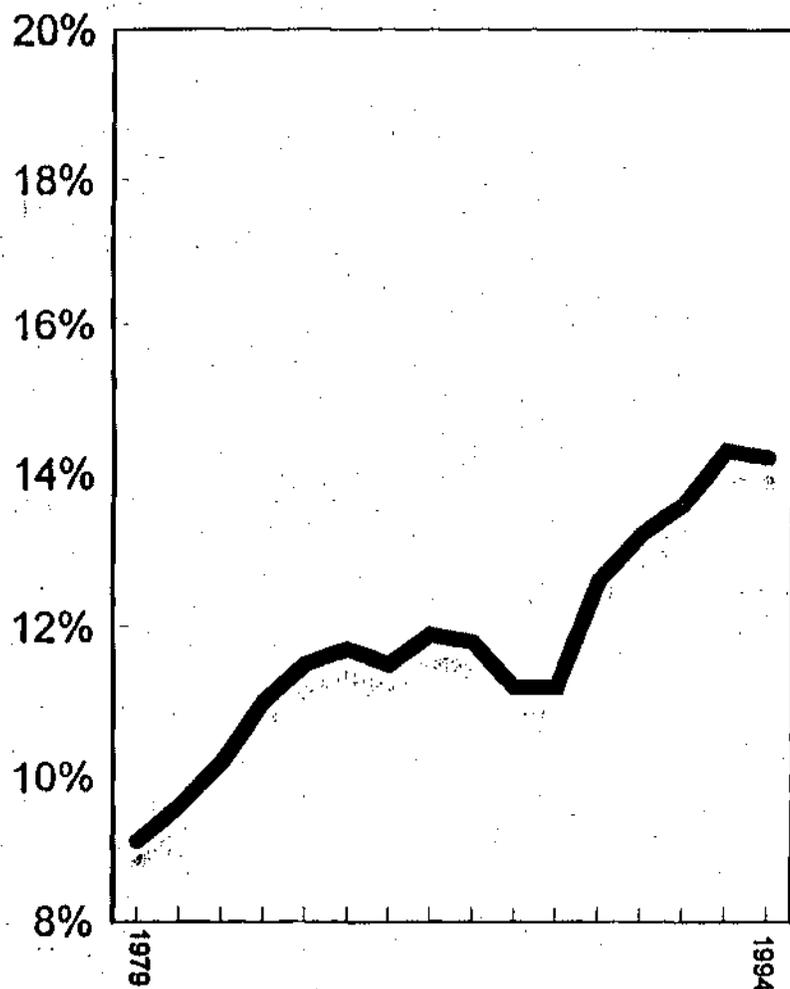
	Community College	Public 4-Year College
	(First Year Only)	
Est. Ave. Cost 1996-1997	\$4,450	\$7,500
Pell Grant Maximum Grant	\$2,470	\$2,470
<i>President Clinton is proposing to increase the maximum Pell Grant to \$2,700 in 1997 -- the largest increase in the history of the program -- and to \$3,120 in 2002. a 33% increase from 1995.</i>		
Subsidized and Unsubsidized Loans (direct or guaranteed)	\$1,980	\$2,626 (maximum for 1st year student)
PLUS Loan to Parents		\$2,405
<b>Total</b>	<b>\$4,450</b>	<b>\$7,500</b>

**But more remains to be done.** While every student now has access to college through loans and grants, the average student still graduates owing about \$7,500, and some owe much more and still others never go to college because they are wary of taking on such a heavy debt. The HOPE Scholarship and Pell Grant expansion announced today, combined with the President's other proposals, will reduce the amount of loans student must take out and make college more affordable:

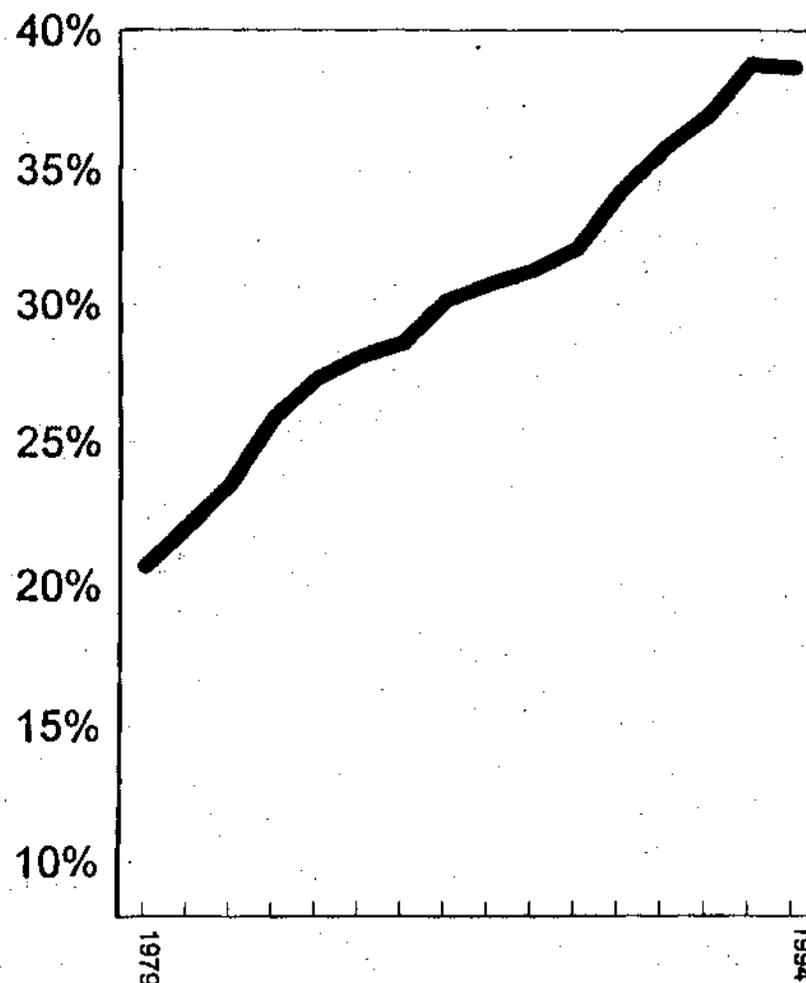
- |  |               |
|--|---------------|
|  | <u>1997</u>   |
| • HOPE Scholarship Tax Cut for tuition in the 13th and 14th grades                       | \$1,500       |
| • Expand Pell Grants for 3.7 million students in 1997                                    | up to \$2,470 |
| • \$10,000 Tax deduction for 16 million students   | up to \$1,500 |
| • Expand Work Study to 1 million students in 2002  | over \$1,000  |
| • Honors Scholarships for the top 5% of students in every high school                    | \$1,000       |
| • Expand National Service AmeriCorps for 30,000 in 1997                                  | up to \$5,000 |
| • Expand IRAs to allow middle-class families to save tax-free for education and training |               |

# Tuition Increases As Percentage of Typical Family Income

## Public Institutions



## Private Institutions



verage undergraduate tuition, room, and board (in 1995 constant dollars) as a percentage of income of families with children 6 to 12 years old, for 50th family income percentile.

# GEORGIA HOPE SCHOLARSHIPS

*"The most far-reaching scholarship program in the nation"*  
-- *Los Angeles Times*, April 5, 1996

**PROGRAM DESCRIPTION:** The Georgia HOPE program, signed into law by Governor Zell Miller on \_\_\_\_, 1993, provides full tuition, fees, and books at any in-state public college to any Georgia student who graduates from high school with a B average or better in the state's core-curriculum subjects (English, math, science, and social studies).

## A TRULY UNIQUE PROGRAM THAT PROVIDES HOPE FOR GEORGIA STUDENTS:

- **Governor Zell Miller.** "Of all the things that I've ever been involved with, It's the one thing that I'm most proud of. We are making college accessible in a way it never has been before in Georgia." [February 12, 1995]
- **Atlanta Journal Constitution.** "Where else in America can children know, from elementary school on, that if they work hard and earn a 3.0 average by graduation from high school, they can fulfill the dream of going to college whether their family has money or not? That's the opportunity created by Georgia's HOPE scholarship program. ...It's a marvelous thing, and it is a solemn promise from the state to its young residents. It is not, however, an entitlement requiring no effort. Students must meet the standards to get the scholarships, and they must keep up the struggle to hold onto them once they enter college." [Atlanta Journal Constitution, September 7, 1994.]
- **Barry Fullerton, Vice Chancellor, University of Georgia.** "It's an ingenious program. It's a great public policy, and it has benefited thousands of students." [The Courier-Journal, April 9, 1995]
- **Orlando Sentinel.** "Imagine a state where every student with a B average gets a full college scholarship. ...Don't have that fanciful an imagination? You don't need one. You just need to look north, to Georgia." [Orlando Sentinel, April 8, 1996]
- **Atlanta Journal Constitution.** "It is, quite simply, an effort to help Georgia's young people become well-educated, productive citizens." [Atlanta Journal Constitution, December 16, 1994]

## ELIGIBILITY REQUIREMENTS: Students must meet the following requirements:

### 4-Year Public Colleges/Universities

- For a HOPE Scholarship to a 4-year public college, graduating high school students must have a 3.0 cumulative grade point average on a 4.0 scale or an 80 numeric average and obtain a diploma with a State of Georgia College Preparatory Seal. (In order to obtain the college preparatory seal, students must meet and graduate from the required core college preparatory curriculum.)
- For a HOPE Scholarship to a public college, graduating high school students who do not meet the 3.0 grade in the core curriculum, must have a 3.2 cumulative grade average on a 4.0 scale or an 85 numeric average in other curriculum tracks.
- Students who maintain a B-average in a 4-year public college and stay off drugs can continue to receive the same level of support for up to four years.

- Students whose college grades fall below 3.0 can requalify a year later if they bring their grades back up above 3.0.
- Student who are not eligible for HOPE scholarships upon graduation of high school, or who enter college later in life, can obtain HOPE scholarships after their sophomore year if the student obtains a cumulative 3.0 grade average.

#### 4-Year Private Colleges/Universities

- Students receive \$3,000 a year in HOPE money, but only if they have and maintain a B grade average.

#### Technical Schools Requirements

- All students in a diploma or certificate program at a Georgia technical institute is eligible for HOPE.

#### Universal Requirements

- All students must stay drug free. A Student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

#### **KEY FACTS:**

- During the first 3 years of the program (1993-1995), nearly 200,000 Georgia students qualified for and received some form of HOPE scholarship.

#### HOPE Scholarship Students 1993-1996

University System	60,682
Technical Institutes	74,830
Private Colleges	45,423
GED Recipients	9,066
<b>TOTAL</b>	<b>190,001</b>

- In the 1995-1996 school year, 70 percent of University of Georgia freshman students received a Georgia HOPE scholarship.
- The racial composition of those receiving HOPE scholarships mirrors that of the overall university system (75% white, 20% black).
- A recent evaluation of HOPE scholarship recipients at public colleges found that 84% of HOPE students who enrolled in Fall 1994 were still in college in Fall 1995, versus 74% of all students.
- A 1995 poll by Georgia State University found that 77 percent of Georgia residents who were aware of the program thought it would lead parents to take a more active interest in their children's education.
- Since the start of the program, enrollment in Georgia's technical and adult education institutions has increased 24 percent. Enrollment increased 8 percent in 1995, alone.

## ARKANSAS ACADEMIC CHALLENGE SCHOLARSHIPS

**PROGRAM DESCRIPTION:** Governor Bill Clinton signed the Arkansas Academic Challenge Scholarships into law on May 5, 1991, creating a tuition assistance program to help academically qualified high school graduates from low and middle income families with public or private college tuition.

### REQUIREMENTS:

- Students must earn a 2.5 grade point average on a 4.0 scale, score a 19 on the American College Test (ACT), and take a normal college preparatory course schedule in high school.
- For families with one dependent child, income cannot exceed \$30,000 per year; with two dependents, income cannot exceed \$35,000. The law allows an extra \$5,000 of family income per child.
- All students must stay drug free. A student is ineligible if, in accordance with the Drug-Free Postsecondary Education Act of 1990, he/she has been convicted for committing certain felony offenses involving marijuana, controlled substances, or dangerous drugs.

### KEY FACTS:

- ADD FACTS MONDAY MORNING
- In 1987, 32 percent of Arkansas students who took the ACT had completed high school pre-college core curriculum. In 1992, the first year of the Academic Scholarships Program, that percentage rose to 48.

## ECONOMIC RETURNS TO INVESTMENTS IN EDUCATION AND TRAINING

- Empirical studies indicate that each additional year of formal schooling is associated with a 6 to 12 percent increase in annual earnings later in life. [Kane and Rouse, 1995; Ashenfelter and Krueger 1994; Angrist and Krueger, 1991]
- This earnings benefit is not limited to education at four-year colleges; it also accrues from attendance at community colleges. [Thomas Kane and Cecilia Rouse, "Labor Market Returns to Two and Four-Year College: Is a Credit a Credit and Do Degrees Matter??" American Economic Review, Vol. 85, No. 3, 1995.]
- The wage premium for better-educated workers has expanded dramatically over the past fifteen years. In 1979, full-time male workers aged 25 and over with at least a bachelor's degree earned on average 49 percent more per year than comparable workers with only a high school degree. By 1993, the difference had nearly doubled, to 89 percent. [Economic Report of the President 1996, page 191.]
- Economists have long argued over whether education causes higher earnings, or whether those with better earnings prospects -- for example, because of greater innate ability -- simply consume more education. Recent analyses of compulsory schooling laws (which force students to consume more education regardless of their innate ability) and wage differentials between twins (who should have similar levels of innate ability) strongly suggest that schooling actually leads to higher earnings. [Joshua Angrist and Alan Krueger, Does Compulsory School Attendance Affect Schooling and Earnings; Quarterly Journal of Economics, November 1991; Orley Ashenfelter and Alan Krueger, Estimates of the Economic Returns to Schooling from a New Sample of Twins, American Economic Review, December 1994.]
- Job displacement studies show that better-educated workers are less likely to lose their jobs than less-educated workers, although this advantage has declined over time. If better-educated workers do lose their jobs, they are more likely to find new jobs (which are more likely to be full-time), and they tend to suffer smaller proportional earnings losses than less-educated workers. [Henry S. Farber, The Changing Face of Job Loss in the United States, 1981-1993, Department of Economics, Princeton University, March 12, 1996.]
- Training workers also has significant payoffs. According to academic research conducted by Lisa Lynch before she became Chief Economist at the Labor Department, a year of either on-the-job training or formal training for workers raises wages by about as much as a year of college education. [Lisa Lynch, Private Sector Training and the Earnings of Young Workers, American Economic Review, Vol. 82, No. 1, 1992.]
- Other studies conclude that firm-provided training seems most effective when combined with other innovative workplace practices. [U.S. Department of Labor, High Performance Work Practices and Firm Performance, 1993; David Levine, Reinventing the Workplace: How Business and Employees Can Both Win (Washington: Brookings, 1993).]

- Education and training boost economic growth. Data from the Bureau of Labor Statistics suggest that the rise in the average educational attainment of the workforce accounted for one-fifth of the annual growth in productivity between 1963 and 1992. [Economic Report of the President 1996, pages 191-2.]

- International evidence reveals that, all else equal, those nations with the highest school enrollment rates in the early 1960s tended to enjoy the most robust growth in subsequent decades. [N. Gregory Mankiw, David Romer, and David Weil, A Contribution to the Empirics of Economic Growth, Quarterly Journal of Economics, Volume 107, May 1992.]

## PRESIDENT CLINTON FIGHTS FOR NEW INITIATIVES TO HELP EVERY AMERICAN MEET THE EDUCATION CHALLENGES AHEAD

*President Clinton remains committed to improving education and has vowed to continue helping Americans invest in their children's future. The President has made the following proposals:*

- **NEW COLLEGE HOPE TAX CUT.** \_\_\_\_\_
- **NEW PELL GRANT EXPANSION.** \_\_\_\_\_
- **Dramatic Expansion of College Work Study:** The President proposed a dramatic expansion of the College Work Study program. Increasing the number of students involved in work study from 700,000 to over 1 million students over the next five years will significantly expand a program that reaffirms the American ethic, rewards hard work and helps ensure that all who want a higher education are able to afford it. The President has challenged colleges to use additional work study funds to promote public service by putting students to work in the community.
- **Tuition Tax Deduction:** The President has called for a tax deduction of up to \$10,000 per year for the cost of college tuition and training. Families could deduct up to \$10,000 in tuition and fees for post-secondary education. Over 17 million students and over 14 million families stand to benefit from this proposal for tax relief to working families.
- **College Merit Scholarships:** The President called for the creation of the largest-ever merit-based scholarship program, rewarding the top 5% of high school graduates in every school with \$1,000 grants toward the cost of college. If this proposal is enacted this year, 128,500 graduating high school seniors will receive a scholarship to help finance their college education.
- **National Service College Scholarships To Reward High School Community Service:** President Clinton has challenged every high school student in the country to make a commitment to community service. To support this commitment, the President is asking all high schools to make service part of their basic ethic and to raise \$500 to reward a high school student who has done significant work to help his or her community. The federal government will then match the \$500 to help that student go on to college.
- **Technological Literacy for the 21st Century:** In his balanced budget, President Clinton proposed the creation of a \$2 billion, five-year Technology Literacy Challenge to get connections to the Information Superhighway, computers, well-trained teachers and challenging educational software into every classroom. The Challenge will stimulate state, local and private sector efforts to provide all children with greater opportunity to learn the skills they need to thrive in the next century. The Technology Literacy Challenge will ensure that local innovation keeps U.S. schools on the leading edge of learning technologies.
- **Employer-Paid Educational Assistance:** To increase educational opportunity and provide incentives for companies to invest in their employees, the President has proposed permanently extending the "Section 127" exclusion for employer-provided educational assistance. The section, which expired in 1994, allowed employees to exclude employer-provided educational assistance from their taxable income. In addition, the President has proposed allowing small businesses a 10% tax credit for amounts paid for employee education and training under a Section 127 program.

- **Higher Education Standards for Students and Teachers:** In order to ensure America's competitive strength, President Clinton has called for both public school students and teachers to be challenged by meaningful, rigorous standards and rewarded when they perform.
- **Charter Schools:** To ensure that parents have the opportunity to choose a school for their children, the President called on all 50 states to enact charter school laws. Twenty-one states currently have laws providing for the creation of charter schools -- public schools, created and managed by parents, teachers and administrators. Charter schools have greater flexibility, but are held accountable for their results through a performance-based contract with a local school board, state or other public institution.
- **Public School Choice:** President Clinton believes that information, competition and choice among public schools should be the rule, not the exception. Any parent who is dissatisfied with either their child's performance or the school's performance should have the opportunity to choose a public school that will do better.
- **Parental Involvement:** President Clinton strongly believes that parents are and should continue to be their children's first and most important teachers. President Clinton has called on all parents to take an active role in their children's education. The President has also challenged businesses and schools to be supportive and family-friendly.



## PRESIDENT CLINTON'S STRONG RECORD OF COMMITMENT TO EDUCATION

*"People who work hard still need support to get ahead in the new economy. They need education and training for a lifetime. . . More and more Americans are finding that the education of their childhood simply doesn't last a lifetime."*

- President Bill Clinton, State of the Union, January 23, 1996

### PRESIDENT CLINTON'S STRONG RECORD OF COMMITMENT TO EDUCATION

**Unprecedented Commitment to Education.** The Clinton Administration has made an unprecedented commitment to provide Americans with the educational opportunities they need to improve their skills and maximize their potential. President Clinton has fought hard to help equip students with the education, training and know-how necessary to keep America competitive.

**Investing in Education While Balancing the Budget.** The President has compiled an impressive record of achievement in improving the nation's education system with a series of new reform proposals. While bringing the deficit down by historic amounts and proposing a balanced budget within seven years, President Clinton has still made investing in education a top priority.

- ⇒ *Between 1992 and 1996, the dollar amount of aid to college and post-secondary students -- including loans, grants and work-study -- increased from \$22.5 billion to \$38.3 billion.*
- ⇒ *The President's FY 1997 balanced budget included a 24% increase in major education and training programs over 1993 levels.*

### A STRONG RECORD OF PROGRESS

- **Head Start:** President Clinton has made expanding and improving pre-schooling a priority for helping families give their children a good start on the right course. The President has increased Head Start funding to provide early education to \_\_\_\_\_ of additional children in need and is committed to funding 1 million Head Start opportunities for preschool children by 2002 in his balanced budget.
- **Raising Education Standards:** In 1994, President Clinton signed into law the Goals 2000 Act which supports the development of standards of excellence for students and encourages grassroots reforms to improve our schools. More than 45 states and thousands of schools participate in Goals 2000 and have developed their own strategic plans for educational improvement based on raising academic standards, improving teaching, increasing parental involvement and expanding the use of technology in the classroom.
- **Improving America's Schools:** By enacting the Improving America's Schools Act, President Clinton has given schools greater flexibility to use federal aid and develop effective teaching innovations to help students achieve their full potential. This law focuses on improvements in teaching the basics in more than 50,000 schools and has a direct impact on 7 million children.
- **School-to-Work Opportunities Act:** Signed by President Clinton in May 1994, this Act broadens educational, career and economic opportunities for students not immediately bound for four-year colleges through local partnerships among businesses, schools, community organizations and state and local governments. By equipping students with the knowledge and skills necessary to pursue

work or post-secondary training, this law helps ensure that America will be capable of performing and prospering in a competitive global economy.

- **Direct Lending for College:** President Clinton reformed the student loan program, making college more accessible this year for 2.8 million students in the Direct Lending program who will have access to flexible repayment options, including pay-as-you-earn plans. Over 1,750 schools, representing 50% of the total amount of loans, are expected to participate in the Direct Lending program this year.
- **Pell Grants:** President Clinton has consistently supported increases in the minimum Pell Grant, which provides aid to help low income families pay for college. Under President Clinton, the Pell Grant has grown from \$2,300 to \$2,470. The President has also proposed an increase to \$2,700 in 1997, during which the program will provide grants to 3.8 million students.
- **National Service:** President Clinton created the AmeriCorps program -- signed into law in September 1993 -- to enable young people to earn money for college by serving their communities and their country. In the past two years, 45,000 volunteers have worked in schools, hospitals, neighborhoods and parks.
- **Access to Advanced Telecommunications:** President Clinton enacted the Telecommunications Act of 1996 to help ensure that schools, libraries, hospitals and clinics will have affordable access to advanced telecommunications services. The Telecommunications Act can help connect each child in every classroom throughout America to the Information Superhighway -- opening up worlds of knowledge and opportunities to all students.
- **Technology Learning Challenge:** President Clinton enacted this program to challenge communities to form local partnerships between schools and private businesses to develop creative new ways to use technology for learning. Federal funds leverages local resources -- each federal dollar is matched by more than three dollars of local and private funds.
- **Religious Freedom:** President Clinton helped end 30 years of uncertainty over school prayer and the religious rights of students by directing Attorney General Reno and Secretary of Education Riley to prepare guidelines outlining the many religious rights of students in our nation's public schools. According to the National Association of Schools Boards, the result has been a marked decline in uncertainty over religious expression in our public schools.
- **Character Education:** President Clinton has been and remains a vigorous proponent of teaching basic American values and citizenship in our nation's public schools. The President has hosted two White House Conferences on Character Education and has encouraged the development of character education through the Improving America's Schools Act.
- **School Uniforms:** President Clinton has encouraged schools to consider school uniform policies to help reduce violence while promoting discipline and respect.
- **Keeping Children Safe in School:** In response to the growing problem of violence in and around our nation's public schools, President Clinton enacted the Gun-Free Schools Act, which requires the immediate expulsion for one year of any student who brings a gun to school. The President also provided funding for enhanced school security, drug prevention programs and training teachers to deal with violence through the Safe and Drug-Free Schools Act.